Financial Statements of

ORANGEVILLE HYDRO LIMITED

And Independent Auditors' Report thereon

Year ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Orangeville Hydro Limited

Opinion

We have audited the financial statements of Orangeville Hydro Limited (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Entity's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

April 20, 2020

ORANGEVILLE HYDRO LIMITED

Statement of Financial Position
December 31, 2019, with comparative information for 2018

	Note	2019	2018
Assets			
Current assets			
Cash		$ 656,693	$ 582,924
Accounts receivable	5	4,207,174	4,045,053
Unbilled revenue		2,626,067	2,909,474
Inventory		291,834	322,002
Prepaid expenses		145,623	131,528
Income taxes receivable		75,292	15,429
Other		489	295
Total current assets		8,003,172	8,006,705
Non-current assets			
Property, plant and equipment	7	20,708,211	20,424,388
Intangible assets	8	226,777	195,626
Deferred tax assets	9	4,000	277,000
Total non-current assets		20,938,988	20,897,014
Total assets		28,942,160	28,903,719
Regulatory debit balances	10	2,715,283	1,843,565
Total assets and regulatory balances		$ 31,657,443	$ 30,747,284

See accompanying notes to the financial statements.

ORANGEVILLE HYDRO LIMITED

Statement of Financial Position
December 31, 2019, with comparative information for 2018

	Note	2019	2018
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	11	$ 3,721,170	$ 4,345,892
Long-term debt due within one year	12	564,845	500,846
Customer deposits		225,000	180,000
Other payables		114,904	108,660
Total current liabilities		4,625,919	5,135,398
Non-current liabilities			
Long-term debt	12	12,444,972	11,053,998
Employee future benefits	13	337,688	329,084
Customer deposits		499,514	686,522
Contributions in aid of construction	14	1,859,325	1,838,423
Total non-current liabilities		15,141,499	13,908,027
Total liabilities		19,767,418	19,043,425
Equity			
Share capital	15	8,290,714	8,290,714
Retained earnings		2,991,878	2,656,771
Accumulated other comprehensive income		47,400	47,400
Total equity		11,329,992	10,994,885
Total liabilities and equity		31,097,410	30,038,310
Regulatory credit balances	10	560,033	708,974
Total liabilities, equity and regulatory balances		$ 31,657,443	$ 30,747,284

See accompanying notes to the financial statements.

On behalf of the Board:

_____________________________ Director _____________________________ Director

ORANGEVILLE HYDRO LIMITED

Statement of Comprehensive Income
Year ended December 31, 2019, with comparative information for 2018

	Note	2019	2018
Revenue			
Distribution revenue	16	$ 5,674,628	$ 5,444,878
Other	16	263,385	335,894
		5,938,013	5,780,772
Sale of energy	16	29,164,689	28,491,290
		35,102,702	34,272,062
Operating expenses			
General and administrative		1,697,925	1,687,281
Billing and collecting		835,794	793,905
Operating and maintenance		958,991	748,590
Depreciation and amortization		882,819	863,934
		4,375,529	4,093,710
Cost of power purchased		30,112,525	28,490,799
		34,488,054	32,584,509
Income from operating activities		614,648	1,687,553
Finance income	18	58,599	37,655
Finance costs	18	(490,995)	(418,652)
Income before income taxes		182,252	1,306,556
Income tax expense	9	103,245	307,884
Net income for the year		79,007	998,672
Net movement in regulatory balances		1,020,659	131,025
Tax on net movement in regulatory balances		(198,124)	3,173
		822,535	134,198
Net income for the year and net movement in regulatory balances		901,542	1,132,870
Other comprehensive income			
Remeasurement of post-employment benefits	13	-	19,504
Other comprehensive income for the year		-	19,504
Total comprehensive income for the year		$ 901,542	$ 1,152,374

See accompanying notes to the financial statements.

ORANGEVILLE HYDRO LIMITED

Statement of Changes in Equity
Year ended December 31, 2019, with comparative information for 2018

	Share capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance at January 1, 2018	$8,290,714	$1,970,993	$ 27,896	$ 10,289,603
Net income and net movement in regulatory balances	-	1,132,870	-	1,132,870
Other comprehensive loss	-	-	19,504	19,504
Dividends	-	(447,092)	-	(447,092)
Balance at December 31, 2018	$8,290,714	$2,656,771	$ 47,400	$ 10,994,885
Balance at January 1, 2019	$8,290,714	$2,656,771	$ 47,400	$ 10,994,885
Net income and net movement in regulatory balances	-	901,542	-	901,542
Other comprehensive loss	-	-	-	-
Dividends		(566,435)	-	(566,435)
Balance at December 31, 2019	$8,290,714	$2,991,878	$ 47,400	$ 11,329,992

See accompanying notes to the financial statements.

ORANGEVILLE HYDRO LIMITED

Statements of Cash Flows
Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Operating activities		
Net Income and net movement in regulatory balances	$ 901,542	$ 1,132,870
Adjustments for:		
Depreciation and amortization	981,874	956,761
Loss on disposal of property, plant and equipment and intangible assets	38,418	39,851
Net finance costs	432,396	380,997
Income tax expense	103,245	307,884
Tax on net movement in regulatory	198,124	(3,173)
Employee future benefits	8,604	(3,945)
Contributions received from customers revenue recognized	(94,119)	(47,366)
	2,570,084	2,763,879
Change in non-cash operating working capital:		
Accounts receivable	(162,121)	(1,277,207)
Unbilled revenue	283,407	1,074,307
Inventory	30,168	(32,572)
Prepaid expenses	(14,095)	292
Other current assets	(194)	198
Accounts payable and accrued liabilities	(624,722)	(1,063,888)
Other payables	6,244	(111,949)
Customer deposits	(142,008)	(45,554)
	(623,321)	(1,456,373)
Regulatory balances	(1,020,659)	(131,025)
Income tax paid	(88,232)	(238,764)
Interest paid	(490,995)	(418,652)
Interest received	58,599	37,655
Net cash from operating activities	405,476	556,720
Investing activities		
Purchase of property, plant and equipment	(1,267,962)	(1,771,730)
Proceeds on disposal of property, plant and equipment	4,452	28,322
Purchase of intangible assets	(71,756)	(22,371)
Contributions received from customers	115,021	205,712
Net cash used by investing activities	(1,220,245)	(1,560,067)
Financing activities		
Proceeds from long-term debt	2,000,000	-
Repayment of long-term debt	(545,027)	(488,325)
Dividends paid	(566,435)	(447,092)
Net cash from financing activities	888,538	(935,417)
Change in cash	73,769	(1,938,764)
Cash, beginning of year	582,924	2,521,688
Cash, end of year	$ 656,693	$ 582,924

See accompanying notes to the financial statements.

1. Reporting entity

Orangeville Hydro Limited (the "Corporation") is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The address of the Corporation's registered office is 400 C Line, Orangeville, Ontario.

The Corporation delivers electricity and related energy services to residential and commercial customers in the Town of Orangeville and Town of Grand Valley. The Corporation is owned by the Town of Orangeville and Town of Grand Valley.

The financial statements are for the Corporation as at and for the year ended December 31, 2019.

2. Basis of presentation

(a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on April 20, 2020.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment is included in the following notes:

(i) Note 3(b) - measurement of unbilled revenue

(ii) Notes 7, 8 - estimation of useful lives of its property, plant and equipment and intangible assets

(iii) Note 10 - recognition and measurement of regulatory balances

(iv) Note 13 - measurement of defined benefit obligations: key actuarial assumptions

(v) Note 19 - recognition and measurement of provisions and contingencies

2. Basis of presentation (continued)

(e) Rate regulation

The Corporation is regulated by the Ontario Energy Board ("OEB"), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies ("LDCs"), such as the Corporation, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

Rate setting

Distribution revenue

For the distribution revenue included in sale of energy, the Corporation files a "Cost of Service" ("COS") rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder's equity required to support the Corporation's business. The Corporation estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years an Incentive Rate Mechanism application ("IRM") is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

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 last filed a COS application in October 2013 for rates effective May 1, 2014 to April 30, 2019. The GDP IPI-FDD for 2019 is 1.50%, the Corporation's productivity factor is nil% and the stretch factor is 0.15%, resulting in a net adjustment of 1.35% to the previous year's rates.

2. Basis of presentation (continued)

(e) Rate regulation (continued)

Electricity rates

The OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity. The Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

3. Significant accounting policies

The accounting policies set out below have been applied consistently in all years presented in these financial statements.

(a) Financial instruments

At initial recognition, the Corporation measures its financial assets at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement of the financial asset depends on the classification determined on initial recognition. Financial assets are classified as either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless the Corporation changes its business model for managing financial assets.

Financial liabilities are initially measured at fair value, net of transaction costs incurred. They are subsequently carried at amortized cost using the effective interest rate method; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as an adjustment to interest expense over the period of the borrowings.

The Corporation has not entered into derivative instruments.

Hedge accounting has not been used in the preparation of these financial statements.

Cash equivalents include short-term investments with maturities of three months or less when purchased.

3. Significant accounting policies (continued)

(b) Revenue recognition

Sale and distribution of electricity

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Corporation has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to 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 has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges are recorded on a net basis as the Corporation is acting as an agent for this billing stream.

Capital contributions

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions, received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 Revenue from Contracts with Customers. The contributions are received to obtain a connection to the distribution system in order receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

Other revenue

Revenue earned from the provision of services is recognized as the service is rendered.

Government grants and the related performance incentive payments under CDM programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

3. Significant accounting policies (continued)

(c) Inventory

Inventory, the majority of which is consumed by the Corporation in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on an average cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

(d) Property, plant and equipment

Items of property, plant and equipment (“PP&E”) used in rate-regulated activities and acquired prior to January 1, 2015 are measured at the deemed cost (carrying value as elected under IFRS 1) established on the transition date, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Corporation’s borrowings. Qualifying assets are considered to be those that take in excess of 12 months to construct.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Corporation has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

The estimated useful lives are as follows:

Asset	Years
Buildings	20-60 years
Distribution equipment	15-60 years
Vehicles	8-15 years
Other tools and equipment	10-60 years
Computer equipment	5 years

(e) Intangible assets

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2015 are measured at deemed cost (carrying value as elected under IFRS 1) established on the transition date, less accumulated amortization. All other intangible assets are measured at cost.

Computer software that is acquired or developed by the Corporation after January 1, 2015, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Corporation does not hold title. Land rights are measured at cost. Management has determined that land rights have an indefinite life. Land rights are tested for impairment when events or circumstances indicate their carrying amount exceeds their fair value. As at December 31, 2019, management has not identified any events or circumstances indicating that land rights are impaired.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate. The estimated useful lives are:

Asset	Years
Computer software	5 years

3. Significant accounting policies (continued)

(f) Impairment

(i) Financial assets measured at amortized cost:

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for the asset.

(ii) Non-financial assets:

The carrying amounts of the Corporation's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Customer deposits

Customer deposits represent cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

(h) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3. Significant accounting policies (continued)

(i) Regulatory balances

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory deferral debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

The probability of recovery of the regulatory deferral debit account balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in profit or loss in the year incurred.

When the Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The regulatory deferral credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

(j) Post-employment benefits

(i) Pension plan

The Corporation provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System (“OMERS”). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund (“the Fund”), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Corporation is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due.

3. Significant accounting policies (continued)

(j) Post-employment benefits (continued)

(ii) Post-employment benefits, other than pension

The Corporation provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in other comprehensive income. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

(k) Leased assets

Under IAS 17

In the comparative period, assets held under leases were classified as operating leases and were not recognized in the Corporation's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease.

Policy applicable from January 1, 2019

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether:

(i) The contract involves the use of an identified asset;

(ii) The Corporation has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(ii) The Corporation has the right to direct the use of the asset. The Corporation has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used is predetermined, the Corporation has the right to direct the use of the asset if either:

a) The Corporation has the right to operate the asset; or
b) The Corporation designed the asset in a way that predetermines how and for what purposes it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

3. Significant accounting policies (continued)

(k) Leased assets (continued)

Short-term leases and low value assets

The Corporation has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(l) Finance income and finance costs

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash.

Finance costs comprise interest expense on borrowings and net interest expense on post-employment benefits. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

(m) Income taxes

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the “Tax Acts”). Under the *Electricity Act*, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation (“OEFC”). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the *Electricity Act*, 1998, and related regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes. Payments in lieu of taxes are referred to as income taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

4. Change in accounting policy

The Corporation adopted IFRS 16, Leases effective January 1, 2019. The adoption of IFRS 16 did not impact the Corporation's statement of financial position as all lease agreements are for low-value assets.

5. Accounts receivable

	2019	2018
Trade customer accounts receivable	$ 4,192,219	$ 3,975,865
Other receivables	56,955	99,188
Provision uncollectible accounts	(42,000)	(30,000)
	$ 4,207,174	$ 4,045,053

6. Inventory

Amount (recovered) written down due to obsolescence in 2019 was $12,172 (2018 – $(4,938).

7. Property, plant and equipment

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in-Progress	Total
Cost or deemed cost					
Balance at January 1, 2019	$ 2,057,089	$20,915,704	$1,458,004	$ 29,358	$24,460,155
Additions	35,528	1,145,853	86,581	-	1.267,962
Transfers	-	28,511	-	(28,511)	-
Disposals/retirements	-	(66,961)	(30,973)	-	(97,934)
Balance at December 31, 2019	$ 2,092,617	$22,023,107	$1,513,612	$ 847	$25,630,183
Balance at January 1, 2018	$ 1,987,339	$19,640,467	$1,159,008	$ 23,027	$22,809,841
Additions	69,750	1,333,557	358,575	9,848	1,771,730
Transfers	-	3,517	-	(3,517)	-
Disposals/retirements	-	(61,837)	(59,579)	-	(121,416)
Balance at December 31, 2018	$ 2,057,089	$20,915,704	$1,458,004	$ 29,358	$24,460,155
Accumulated depreciation					
Balance at January 1, 2019	$ 393,046	$ 3,065,782	$ 576,939	$ -	$ 4,035,767
Depreciation	82,093	715,632	145,847	-	943,572
Disposals	-	(28,977)	(28,390)	-	(57,367)
Balance at December 31, 2019	$ 475,139	$ 3,752,437	$ 694,396	$ -	$ 4,921,972
Balance at January 1, 2018	$ 312,779	$ 2,396,271	$ 469,811	$ -	$ 3,178,861
Depreciation	80,267	686,003	144,165	-	910,435
Disposals	-	(16,492)	(37,037)	-	(53,529)
Balance at December 31, 2018	$ 393,046	$ 3,065,782	$ 576,939	$ -	$ 4,035,767
Carrying amounts					
At December 31, 2019	$ 1,617,478	$18,270,670	$ 819,216	$ 847	$20,708,211
At December 31, 2018	$ 1,664,043	$17,849,922	$ 881,065	$ 29,358	$20,424,388

8. Intangible assets

	Computer software	Land rights	Total
Cost or deemed cost			
Balance at January 1, 2019	$ 361,561	$ 113,118	$ 474,679
Additions	49,156	22,600	71,756
Disposals	(4,177)	-	(4,177)
Balance at December 31, 2019	$ 406,540	$ 135,718	$ 542,258
Balance at January 1, 2018	$ 340,623	$ 113,118	$ 453,741
Additions	22,371	-	22,371
Disposals	(1,433)	-	(1,433)
Balance at December 31, 2018	$ 361,561	$ 113,118	$ 474,679
Accumulated amortization			
Balance at January 1, 2019	$ 279,053	$ -	$ 279,053
Amortization	38,302	-	38,302
Disposal	(1,874)	-	(1,874)
Balance at December 31, 2019	$ 315,481	$ -	$ 315,481
Balance at January 1, 2018	$ 233,874	$ -	$ 233,874
Amortization	46,326	-	46,326
Disposals	(1,147)	-	(1,147)
Balance at December 31, 2018	$ 279,053	$ -	$ 279,053
Carrying amounts			
At December 31, 2019	$ 91,059	$ 135,718	$ 226,777
At December 31, 2018	$ 82,508	$ 113,118	$ 195,626

9. Income tax expense

Current tax expense (recovery)

	2019	2018
Current tax expense (recovery)	$ (169,755)	$ 164,884
Deferred tax expense	273,000	143,000
Income tax expense	$ 103,245	$ 307,884

Reconciliation of effective tax rate:

	2019	2018
Income before taxes	$ 182,252	$ 1,306,556
Canada and Ontario statutory Income tax rates	26.5%	26.5%
Expected tax provision on income at statutory rates	48,297	346,237
Increase (decrease) in income taxes resulting from:		
Permanent differences	400	852
Other	54,548	(39,205)
Income tax expense	$ 103,245	$ 307,884

Significant components of the Corporation's deferred tax balances

	2019	2018
Deferred tax assets (liabilities):		
Property, plant and equipment	$ (97,000)	$ 190,000
Post-employment benefits	89,000	87,000
Other	12,000	-
	$ 4,000	$ 277,000

10. Regulatory balances

Reconciliation of the carrying amount for each class of regulatory balances

Regulatory deferral account debit balances	January 1, 2019	Additions	Recovery/ reversal	December 31, 2019	Remaining recovery/ reversal years
Retail settlement variances	$ 1,416,379	$1,081,656	$ -	$2,498,035	1
Regulatory transition to IFRS	159,686	3,299	-	162,985	-
Regulatory variances disposition	68,070	(28,480)	-	39,590	-
Other	199,430	311	(185,068)	14,673	1
	$ 1,843,565	$1,056,786	$(185,068)	$2,715,283	

Regulatory deferral account debit balances	January 1, 2018	Additions	Recovery/ reversal	December 31, 2018	Remaining recovery/ reversal years
Retail settlement variances	$ 1,814,949	$ 85,785	$(484,355)	$1,416,379	1
Regulatory transition to IFRS	156,999	2,687	-	159,686	-
Regulatory variances disposition	44,710	-	23,360	68,070	-
Other	153,876	45,554	-	199,430	1
	$ 2,174,552	$ 134,026	$(460,995)	$1,843,565	

Regulatory deferral account credit balances	January 1, 2019	Additions	Recovery/ reversal	December 31, 2019	Remaining years
Retail settlement variances	$ 300,256	$ 69,637	$ -	$ 369,893	1
Change in asset useful lives	71,316	(51,214)	-	20,102	2
Deferred income tax	277,000	(273,000)	-	4,000	-
Other	60,402	105,636	-	166,038	1
	$ 708,974	$(148,941)	$ -	$ 560,033	

Regulatory deferral account credit balances	January 1, 2018	Additions	Recovery/ reversal	December 31, 2018	Remaining years
Retail settlement variances	$ 491,058	$ 38,848	$(229,650)	$ 300,256	1
Change in asset useful lives	221,679	-	(150,363)	71,316	2
Deferred income tax	420,000	(143,000)	-	277,000	-
Other	34,231	26,249	(78)	60,402	1
	$ 1,170,986	$ (77,903)	$(380,091)	$ 708,974	

10. Regulatory balances (continued)

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Corporation has received approval from the OEB to establish its regulatory balances.

Settlement of the Group 1 deferral accounts is done on an annual basis through application to the OEB. An application has been approved by the OEB to recover $185,068 for the Lost Revenue Adjustment Mechanism Variance Account for the 2019 rate application. The application made to the OEB to recover $385,933 for Class A customer' global adjustment reconciling variance is pending further investigation before approval will be granted. The Corporation received approval for deferral of a COS application for 2019 rates, and has applied for a deferral of 2020 rates, which approval is pending. The OEB requires the Corporation to estimate its income taxes when it files a COS application to set its rates. As a result, the Corporation has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Corporation's deferred tax balance fluctuates.

Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points. In 2019, the rate ranged from 2.18% to 2.45%.

11. Accounts payable and accrued liabilities

	2019	2018
Accounts payable – energy purchases	$ 1,467,517	$ 2,305,939
Water and sewer charges payable	1,025,115	921,291
Other	1,228,538	1,118,662
	$ 3,721,170	$ 4,345,892

12. Long-term debt

	2019	2018
TD Bank term loan payable, interest at 3.38%, payable in monthly instalments, due 2022	$ 3,118,740	$ 3,473,564
TD Bank term loan payable, interest at 3.54%, payable in monthly instalments, due 2024	3,584,767	3,677,163
TD Bank term loan payable, interest at 3.40%, interest only payments, due 2022	2,500,000	2,500,000
TD Bank term loan payable, interest at 3.60%, payable in monthly instalments, due 2027	1,852,560	1,904,117
TD Bank term loan payable, interest at 4.20%, payable in monthly instalments, due 2029	1,953,750	-
	13,009,817	11,554,844
Less current portion of long-term debt	564,845	500,846
	$ 12,444,972	$ 11,053,998

The TD Bank term loans holds as security a general security agreement representing a first charge on all assets and undertakings of the Corporation and assignment of general liability insurance for the Corporation.

The agreement with respect to the TD Bank term loans contain certain covenants regarding (i) leverage, (ii) liquidity, (iii) change in status of business, (iv) change in ownership, and (v) limitations on additional debt and encumbrance of assets.

The agreement with TD Bank also contains financial covenants that require the Corporation to maintain a maximum debt to capital ratio of 0.60 to 1 and a minimum debt service coverage ratio of 1.20x to be tested and calculated on a quarterly basis. The Corporation is in compliance with these covenants as at December 31, 2019.

Principal repayments for the next five years and thereafter are as follows:

2020	$ 564,845
2021	585,997
2022	5,086,643
2023	222,311
2024	3,304,887
Thereafter	3,245,134
	$ 13,009,817

13. Post-employment benefits

(a) OMERS pension plan

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2019, the Corporation made employer contributions of $192,810 to OMERS (2018 - $172,108), of which has been recognized in profit or loss. The Corporation estimates that a contribution of $163,239 to OMERS will be made during the next fiscal year.

As at December 31, 2019, OMERS had approximately 500,000 members, of whom 19 are current employees of the Corporation. The most recently available OMERS annual report is for the year ended December 31, 2019, which reported that the plan was 97% funded, with an unfunded liability of $3.4 billion. This unfunded liability is likely to result in future payments by participating employers and members.

(b) Post-employment benefits other than pension

The Corporation pays certain medical and life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-employment benefits in the year in which employees' services were rendered. The Corporation is recovering its post-employment benefits in rates based on the expense and remeasurements recognized for post-employment benefit plans.

Reconciliation of the obligation	2019	2018
Defined benefit obligation, beginning of year	$ 329,084	$ 352,533
Included in profit or loss		
Current service cost	11,449	15,330
Interest cost	12,849	13,776
	24,298	29,106
Included in OCI		
Actuarial losses arising from:		
changes in financial assumptions	-	(19,504)
	353,382	362,135
Benefits paid	15,694	33,051
Defined benefit obligation, end of year	$ 337,688	$ 329,084

Actuarial assumptions	2019	2018
Discount (interest) rate	4.00%	4.00%
Salary levels	3.00%	3.00%
Medical costs	4.00%	5.50%
Dental costs	4.00%	4.50%

13. Post-employment benefits (continued)

(b) Post-employment benefits other than pension (continued)

A 1% increase in the assumed discount rate would result in the defined benefit obligation decreasing by $45,100. A 1% decrease in the assumed discount rate would result in the defined benefit obligation increasing by $59,700.

14. Contributions in aid of construction

	2019	2018
Contributions in aid of construction, beginning of year	$ 1,838,423	$ 1,680,077
Contributions in aid of construction received	115,021	205,712
Contributions in aid of construction recognized as distribution revenue	(94,119)	(47,366)
Contributions in aid of construction, end of year	$ 1,859,325	$ 1,838,423

15. Share capital

	2019	2018
Authorized:		
Unlimited number of common shares		
Issued:		
1,000 common shares	$ 8,290,714	$ 8,290,714

16. Revenues

	2019	2018
Collection and other service charges	$ 115,185	$ 140,030
Water and sewer billing services	23,955	74,533
Rent	101,301	63,808
CDM	-	45,645
Loss on disposals	(38,418)	(39,851)
Other	61,362	51,729
Total other revenue	$ 263,385	$ 335,894

In the following table, sale of energy and distribution revenue is disaggregated by type of customer.

	2019	2018
Residential	$ 13,803,021	$ 13,452,008
Commercial	20,711,482	20,195,200
Other	324,814	288,960
	$ 34,839,317	$ 33,936,168

17. Employee salaries and benefits

	2019	2018
Salaries, wages and benefits	$ 1,940,378	$ 1,743,105
CPP and EI remittances	68,197	63,786
Contributions to OMERS	192,810	172,108
	$ 2,201,385	$ 1,978,999

18. Finance income and costs

	2019	2018
Finance income		
Interest income on bank deposits	$ 58,599	$ 37,655
Finance costs		
Interest expense on long-term debt	(473,798)	(402,517)
Interest expense on customer deposits	(17,197)	(16,135)
	(490,995)	(418,652)
Net finance costs recognized in profit or loss	$ (432,396)	$ (380,997)

19. Commitments and contingencies

Cornerstone Hydro Electric Concepts (CHEC)

CHEC is an association of sixteen LDCs modelled after a co-operative to share resources and proficiencies (see note 20).

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

(a) giving written notice 60 days in advance of termination; and

(b) by making a prepayment in full of the balance of its contract service costs to CHEC. The amount of prepayment cost shall be the total cost which the Corporation would have paid over the three year term of the agreement less amounts already paid by it to the date of the termination. The current three year term for CHEC commitment goes to December 31, 2020. The prepayment cost of termination is a settlement of the Corporation's obligation under the agreement by reason of termination of its membership before the expiry of the term. The amount is liquidated damages and not a penalty for early termination and is intended to leave the remaining members in the same position as if the Corporation had not terminated the agreement. As at December 31, 2019, the obligation to CHEC includes the 2020 membership dues of approximately $43,000.

19. Commitments and contingencies (continued)

Utility Collaborative Services Inc. (UCS)

The Corporation has the right to redeem its shares in UCS (see note 20) by retraction upon the following terms:

(a) notice of such retraction shall be given 120 days prior to the effective date; and

(b) a redemption fee shall be paid equal to the previous three years' worth of average purchases from UCS for services or products; or in alternative to paying such fees, the Corporation may elect in writing to provide three years' written notice of the retraction, provided that the Corporation continues to receive services at the same or greater average volume as those received at the time the notice was given. As at December 31, 2019, the obligation to UCS includes 2020 fees of approximately $90,000.

General Liability Insurance

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2019, no assessments have been made.

20. Related party transactions

(a) Parents and ultimate controlling party

The common shares of Orangeville Hydro Limited are owned by the Town of Orangeville and Town of Grand Valley, the ultimate parents.

(b) Outstanding balances with related parties

	2019	2018
Town of Orangeville - receivable	$ 151,530	$ 55,274
Town of Grand Valley – receivable	2,304	2,308
Town of Orangeville - payable	(994,349)	(895,354)
Town of Grand Valley - payable	(31,936)	(25,937)
	$ (872,451)	$ (863,709)

20. Related party transactions (continued)

(c) Transactions with ultimate parents

The Corporation provides water and sewage billing and collection services to the customers of the Town of Orangeville and Town of Grand Valley, as well as supplying street light energy and street lighting maintenance services to the Town of Orangeville and Town of Grand Valley. Revenue includes $417,621 (2018 – $416,552) from the Town of Orangeville and $22,416 (2018 – $18,070) from the Town of Grand Valley for these services.

The Corporation also delivers electricity to the Town of Orangeville and Town of Grand Valley throughout the year for the electricity needs of the Townships and its related organizations. Electricity delivery charges are at prices and under terms approved by the OEB. The Corporation also provides additional services to the Townships, including streetlight maintenance services, sentinel lights and water and waste water billing and customer care services.

(d) Transactions with related parties

The Corporation paid $73,725 (2018 – $78,583) in fees to Cornerstone Hydro Electric Concepts Association Inc. (CHEC). CHEC is an association of sixteen electricity distribution utilities modeled after a cooperative to share resources and proficiencies.

The Corporation owns 100 common shares, at a cost of $100, in Utility Collaborative Services Inc. (UCS) which represents a 10% interest. At the time of purchase, due to the immaterial amount, the investment was expensed. The Corporation paid $159,696 (2018 – $152,961) in fees to UCS. UCS offers standards-based back office services and the collaboration allows leverage in the reduction of costs for items such as information technology hosting and software licensing.

(e) Key management personnel

The key management personnel of the Corporation have been defined as members of its board of directors and executive management team members. The compensation paid during the year is $514,110 (2018 - $410,071).

21. Financial instruments and risk management

Fair value disclosure

The carrying values of cash, accounts receivable, unbilled revenue, due from/to related parties and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

The fair value of the TD Bank long-term debt at December 31, 2019 is $6,107,736. The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The interest rate used to calculate fair value at December 31, 2019 ranged from 1.60% to 2.81%.

21. Financial instruments and risk management (continued)

Financial risks

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

(a) Credit risk

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the Town of Orangeville and Town of Grand Valley.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2019 is $42,000 (2018 - $30,000). An impairment loss of $51,922 (2018 - $25,964) was recognized during the year.

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2019, approximately $78,470 (2018 - $106,010) is considered 60 days past due. The Corporation has over 12,000 customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB and through credit insurance. As at December 31, 2019, the Corporation holds security deposits in the amount of $724,514 (2018 - $866,522) which also includes deposits received from developers.

(b) Market risk

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

A 1% increase in the interest rate at December 31, 2019 would have increased interest expense on the long-term debt by $132,603 (2018 - $118,000), assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

21. Financial instruments and risk management (continued)

(c) Liquidity risk

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a $2,500,000 credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. As at December 31, 2019, the Corporation has $1,293,740 available on this credit facility.

The Corporation also has a facility for $1,206,260 (the "LC" facility) for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which $nil has been drawn and posted with the IESO (2018 - $nil).

The majority of accounts payable, as reported on the statement of financial position, are due within 30 days.

(d) Capital disclosures

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2019, shareholder's equity amounts to $11,329,992 (2018 - $10,994,885) and long-term debt amounts to $12,444,972 (2018 - $11,053,998).

22. Subsequent events

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Corporation's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect our business is not known at this time.

23. Comparatives

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.