Financial Statements of

INNPOWER CORPORATION

And Independent Auditors' Report thereon

Year ended December 31, 2019
(Expressed in thousands of dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of InnPower Corporation

Opinion

We have audited the financial statements of InnPower Corporation (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 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.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

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.

- 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

May 22, 2020

INNPOWER CORPORATION

Statement of Financial Position
December 31, 2019, with comparative information for 2018
(Expressed in thousands of dollars)

	Note	2019	2018
Assets			
Current assets			
Cash		$ -	$ 213
Accounts receivable	5	9,136	5,159
Unbilled revenue		5,144	4,531
Materials and supplies		1,083	662
Prepaid expenses		357	382
Total current assets		15,720	10,947
Non-current assets			
Property, plant and equipment	6	78,566	69,681
Intangible assets	7	514	535
Leased assets	12	150	-
Total non-current assets		79,230	70,216
Total assets		94,950	81,163
Regulatory debit balances	9	7,383	4,411
Total assets and regulatory balances		$ 102,333	$ 85,574

See accompanying notes to the financial statements.

INNPOWER CORPORATION

Statement of Financial Position
December 31, 2019, with comparative information for 2018
(Expressed in thousands of dollars)

	Note		2019		2018
Liabilities					
Current liabilities					
Bank indebtedness		$	2,806	$	-
Accounts payable and accrued liabilities	10		8,250		7,250
Current portion of long-term debt	11		1,258		1,176
Income taxes payable	8		110		177
Customer deposits			39		39
Current lease liabilities			35		-
Total current liabilities			12,498		8,642
Non-current liabilities					
Construction deposits			2,877		3,358
Long-term debt	11		36,254		35,135
Post-employment benefits	13		100		178
Contributions in aid of construction			22,586		14,411
Deferred tax liabilities	8		1,311		742
Long-term lease liabilities			115		-
Total non-current liabilities			63,243		53,824
Total liabilities			75,741		62,466
Equity					
Share capital	14		10,852		10,852
Retained earnings			12,673		10,032
Contributed surplus			1,600		1,600
Accumulated other comprehensive income			92		26
Total equity			25,217		22,510
Total liabilities and equity			100,958		84,976
Regulatory credit balances	9		1,375		598
Total liabilities, equity and regulatory balances		$	102,333	$	85,574

See accompanying notes to the financial statements.

On behalf of the Board:

________________________ Director ________________________ Director

INNPOWER CORPORATION

Statement of Income and Comprehensive Income
Year ended December 31, 2019, with comparative information for 2018
(Expressed in thousands of dollars)

	Note		2019		2018
Revenue					
Sale of energy		$	32,254	$	30,888
Distribution revenue			11,260		10,834
Other	15		1,504		1,434
			45,018		43,156
Operating expenses					
Cost of power purchased			34,338		31,777
Operating			5,867		5,911
Depreciation and amortization			2,656		2,503
Loss on disposal of property, plant and equipment			76		11
			42,937		40,202
Income from operating activities			2,081		2,954
Finance income	17		5		16
Finance costs	17		(1,398)		(1,293)
			(1,393)		(1,277)
Income before income taxes			688		1,677
Income tax expense			504		739
Net income for the year before movement in regulatory deferral account balances			184		938
Other comprehensive income					
Remeasurement of employee future benefits net of tax			66		-
Total comprehensive income for the year before movement in regulatory deferral account balances			250		938
Net movement in regulatory balances, net of tax			2,457		1,482
Total comprehensive income for the year and net movement in regulatory balances		$	2,707	$	2,420

See accompanying notes to the financial statements.

INNPOWER CORPORATION

Statement of Changes in Equity
Year ended December 31, 2019, with comparative information for 2018
(Expressed in thousands of dollars)

		Share capital		Retained earnings		Contributed surplus		Accumulated other comprehensive income		Total
Balance at January 1, 2018	$	10,852	$	7,612	$	1,600	$	26	$	20,090
Net income and net movement in regulatory balances		-		2,420		-		-		2,420
Balance at December 31, 2018	$	10,852	$	10,032	$	1,600	$	26	$	22,510
Balance at January 1, 2019	$	10,852	$	10,032	$	1,600	$	26	$	22,510
Net income and net movement in regulatory balances		-		2,641		-		66		2,707
Balance at December 31, 2019	$	10,852	$	12,673	$	1,600	$	92	$	25,217

See accompanying notes to the financial statements.

INNPOWER CORPORATION

Statement of Cash Flows
Year ended December 31, 2019, with comparative information for 2018
(Expressed in thousands of dollars)

	2019	2018
Operating activities		
Total comprehensive income	$ 2,707	$ 2,420
Adjustments for:		
Depreciation and amortization	2,736	2,593
Depreciation and amortization right of use asset	21	-
Amortization of contributions in aid of construction	(540)	(232)
Post-employment benefits	(78)	21
Loss on disposal of property, plant and equipment	76	11
Net finance costs	1,393	1,277
Income tax expense	528	739
Income tax expense within net movement in regulatory balances	570	513
	7,413	7,342
Change in non-cash operating working capital:		
Accounts receivable	(3,977)	(458)
Unbilled revenue	(613)	(475)
Materials and supplies	(421)	(119)
Prepaid expenses	25	21
Accounts payable and accrued liabilities	1,000	(306)
Customer deposits	(481)	219
	(4,467)	(1,118)
Regulatory balances	(2,765)	(2,014)
Income tax recovered (paid)	(26)	396
Interest paid	(1,394)	(1,293)
Interest received	5	16
Net cash from operating activities	(1,234)	3,329
Investing activities		
Purchase of property, plant and equipment	(11,564)	(5,370)
Proceeds on disposal of property, plant and equipment	6	5
Purchase of intangible assets	(118)	(169)
Construction contributions received	8,715	1,360
Net cash used by investing activities	(2,961)	(4,174)
Financing activities		
Bank indebtedness	2,806	-
Proceeds from long-term debt	2,376	1,666
Repayment of long-term debt	(1,175)	(1,111)
Repayment of lease liabilities	(25)	-
Net cash from financing activities	3,982	555
Change in cash	(213)	(290)
Cash, beginning of year	213	503
Cash, end of year	$ -	$ 213

See accompanying notes to the financial statements.

1. Reporting entity

InnPower Corporation (the “Corporation”) is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Corporation is located in the Town of Innisfil (“the Town”). The address of the Corporation’s registered office is 7251 Yonge Street, Innisfil, Ontario.

The Corporation delivers electricity and related energy services to residential and commercial customers in the Town and South Barrie. The Corporation is wholly owned by the Town of Innisfil.

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 May 22, 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. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

2. Basis of presentation (continued)

(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) Note 3 (b) – determination of the performance obligation for contributions from customers and the related amortization period.
(iii) Notes 3 (k), 16 – leases: whether an arrangement contains a lease
(iv) Notes 6, 7 - estimation of useful lives of its property, plant and equipment and intangible assets
(v) Note 9 - recognition and measurement of regulatory balances
(vi) Note 13 - measurement of defined benefit obligations: key actuarial assumptions
(vii) Note 18 - recognition and measurement of provisions and contingencies

(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.

The Corporation is required to bill customers for the debt retirement charge set by the province. The Corporation may file to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation ("OEFC") once each year.

2. Basis of presentation (continued)

(e) Rate regulation (continued)

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 June 2016 for rates effective January 1, 2017 to December 31, 2021. On December 13, 2018 the Corporation received its decision on rates effective January 1, 2019.

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, except for (k) Leases which the Corporation adopted effective January 1, 2019. The details of the changes in accounting policies are disclosed in note 4.

(a) Financial instruments

At initial recognition, the Company measures it's 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 Company 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 enter into derivative instruments.

(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.

3. Significant accounting policies (continued)

(b) Revenue recognition (continued)

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.

(c) Materials and supplies

Materials and supplies, 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.

3. Significant accounting policies (continued)

(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.

(Expressed in thousands of dollars)

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

The estimated useful lives are as follows:

Asset	Years
Buildings and fixtures	50 years
Substations	30 years
Distribution lines	15-60 years
Distribution transformers	40-50 years
Meters	15-25 years
Office equipment	10 years
Computer equipment	5 years
Transportation equipment	10 years
Small tools and miscellaneous equipment	10 years
System supervisory	15 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 less accumulated amortization.

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	3 years
Land rights	50 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 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 account debit 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 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.

3. Significant accounting policies (continued)

(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.

(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.

3. Significant accounting policies (continued)

(k) Leased assets

At inception of a contract, the Corporation assess whether the contract is or contains a lease. A contract is determined to contain a lease if it provides the Corporation with the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts determined to contain a lease are accounted for as leases. For leases and contracts that contain a lease, the Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Subsequent to initial recognition, the right-of-use asset is recognized at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for certain remeasurements of the corresponding lease liability.

The lease liability is initially measured at the present value of lease payments plus the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Corporation's incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(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 and dividend income.

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.

3. Significant accounting policies (continued)

(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. Changes to accounting policies

Effective January 1, 2019, the Corporation has adopted new IFRS standards and applied the new accounting policies in preparing the financial statements:

Uncertainty over income tax treatments

The Corporation has adopted the IFAIC 23 that the IASB issued to clarify how to apply the recognition and measurement requirements in IAS12 Income Taxes effective January 1, 2019. The accounting policy change did not result in a significant impact to the financial statements. As a result, the Corporation was not required to make any adjustments to the financial statements.

4. Changes to accounting policies (continued)

Leases ("IFRS 16")

The Corporation has applied IFRS 16 Leases effective January 1, 2019 using the modified retrospective approach. Refer to note 3 (k) Significant accounting policies.

Prior to IFRS 16, the Corporation assessed whether a contract was or contained a lease at the inception of the agreement by applying the definition in IFRIC 4. The definition of a lease was amended under IFRS 16, and is described in note 3 (k). On transition to IFRS 16, the Corporation elected to apply the practical expedient to grandfather the assessment of the contracts determined to be leases. Contracts that were not previously identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether they contained a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

As a lessee, the Corporation previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Corporation. Under IFRS 16, the Corporation recognizes right-of-use assets and lease liabilities for all leases.

At transition, the Corporation did not recognize a right-of-use asset or related lease liability because there were no outstanding lease contracts at that time. However, during the year the Corporation recognized $171 in right-of-use assets and $171 of lease liabilities for lease contracts entered after January 1, 2019. Lease liabilities were measured at the present value of the remaining lease payments, discounted at the Corporation's incremental borrowing rate as the time of inception. . The weighted-average rate applied was 4.00%. Right-of-use assets were measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

Future changes in accounting policy and disclosures

Certain new standards, amendments and interpretations are effective for annual periods beginning after December 31, 2019, and as such, have not yet been applied in preparing these financial statements. The Corporation is currently assessing the impact of these standards on its results of operations, financial position and disclosures.

The following amended standards and interpretations are not expected to have a significant impact on the Corporation's financial statements.

i) Amendments to References to Conceptual Framework in IFRS Standards.
ii) Definition of a Business (Amendments to IFRS 3).
iii) Definition of Material (Amendments to IAS 1 and IAS 8).

INNPOWER CORPORATION

Notes to Financial Statements
Year ended December 31, 2019
(Expressed in thousands of dollars)

5. Accounts receivable

		2019		2018
Trade customer receivables	$	4,392	$	4,037
Other receivables		4,544		715
Due from related parties		200		407
	$	9,136	$	5,159

6. 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	$	14,770	$	58,803	$	5,230	$	1,267	$	80,070
Additions		38		8,938		118		2,470		11,564
Disposals/retirements		-		93		61		-		154
Balance at December 31, 2019	$	14,808	$	67,648	$	5,287	$	3,737	$	91,480
Balance at January 1, 2018	$	14,574	$	54,543	$	4,490	$	1,155	$	74,762
Additions		196		4,287		775		112		5,370
Disposals/retirements		-		(27)		(35)		-		(62)
Balance at December 31, 2018	$	14,770	$	58,803	$	5,230	$	1,267	$	80,070
Accumulated depreciation										
Balance at January 1, 2019	$	975	$	7,288	$	2,126	$	-	$	10,389
Depreciation		283		1,857		457		-		2,597
Disposals/retirements		-		27		45		-		72
Balance at December 31, 2019	$	1,258	$	9,118	$	2,538	$	-	$	12,914
Balance at January 1, 2018	$	695	$	5,601	$	1,689	$	-	$	7,985
Depreciation		280		1,698		472		-		2,450
Disposals/retirements		-		(11)		(35)		-		(46)
Balance at December 31, 2018		975	$	7,288	$	2,126	$	-	$	10,389
Carrying amounts										
At December 31, 2019	$	13,550	$	58,530	$	2,749	$	3,737	$	78,566
At December 31, 2018	$	13,795	$	51,515	$	3,104	$	1,267	$	69,681

(Expressed in thousands of dollars)

7. Intangible assets

		Computer software		Land rights		Total
Cost or deemed cost						
Balance at January 1, 2019	$	952	$	394	$	1,346
Additions		115		3		118
Balance at December 31, 2019	$	1,067	$	397	$	1,464
Balance at January 1, 2018	$	783	$	394	$	1,177
Additions		169		-		169
Balance at December 31, 2018	$	952	$	394	$	1,346
Accumulated amortization						
Balance at January 1, 2019	$	745	$	66	$	811
Amortization		126		13		139
Balance at December 31, 2019	$	871	$	79	$	950
Balance at January 1, 2018	$	615	$	53	$	668
Amortization		130		13		143
Balance at December 31, 2018	$	745	$	66	$	811
Carrying amounts						
At December 31, 2019	$	196	$	318	$	514
At December 31, 2018	$	207	$	328	$	535

(Expressed in thousands of dollars)

8. Income tax expense

Current tax expense

		2019		2018
Based on current year taxable income	$	110	$	195
Prior year adjustments		(152)		31
	$	(42)	$	226

Deferred tax expense

		2019		2018
Origination and reversal of temporary differences	$	570	$	513
	$	570	$	513

Reconciliation of effective tax rate

		2019		2018
Income before income taxes	$	3,235	$	3,158
Canada and Ontario statutory Income tax rates		26.5%		26.5%
Expected tax provision on income at statutory rates		857		837
Increase (decrease) in income taxes resulting from:				
Permanent differences		2		3
Prior period adjustment		(120)		31
Regulatory adjustment		(150)		(136)
Other		(61)		4
Income tax expense	$	528	$	739

Significant components of the Corporation’s deferred tax balances

		2019		2018
Deferred tax assets (liabilities):				
Property, plant and equipment	$	(1,338)	$	(821)
Post-employment benefits		27		47
Corporate minimum tax		-		38
Other		-		(6)
	$	(1,311)	$	(742)

(Expressed in thousands of dollars)

9. 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	$ 3,328	$ 2,267	$ -	$ 5,595	2-3
Deferred income tax	1,009	776	-	1,785	-
Other	74	-	(71)	3	1-3
	$ 4,411	$ 3,043	$ (71)	$ 7,383	

Regulatory deferral account debit balances	January 1, 2018	Additions	Recovery/ reversal	December 31, 2018	Remaining recovery/ reversal years
Retail settlement variances	$ 2,513	$ 815	$ -	$ 3,328	2-3
Deferred income tax	289	720	-	1,009	-
Other	21	-	53	74	1-3
	$ 2,823	$ 1,535	$ 53	$ 4,411	

Regulatory deferral account credit balances	January 1, 2019	Additions	Recovery/ reversal	December 31, 2019	Remaining years
Deferred income tax	$ 267	$ 205	$ -	$ 472	-
Regulatory variances disposition	283	(2)	201	482	1-3
Other	48	373	-	421	-
	$ 598	$ 576	$ 201	$ 1,375	

Regulatory deferral account credit balances	January 1, 2018	Additions	Recovery/ reversal	December 31, 2018	Remaining years
Deferred income tax	$ 60	$ 207	$ -	$ 267	-
Regulatory variances disposition	182	(250)	351	283	1-3
Other	43	5	-	48	-
	$ 285	$ (38)	$ 351	$ 598	

(Expressed in thousands of dollars)

9. 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. 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 was 2.45% for January to March, 2.18% for April to December.

10. Accounts payable and accrued liabilities

	2019	2018
Power purchases	$ 2,535	$ 2,325
Trade payables	2,574	1,365
Due to related parties	2,314	3,370
Other	827	190
	$ 8,250	$ 7,250

(Expressed in thousands of dollars)

11. Long-term debt

	2019	2018
Term loan, interest at 4.05%, payable in monthly instalments, due 2022, secured by a General Security Agreement	3,085	3,218
Term loan, interest at 3.81%, payable in monthly instalments, due 2022, secured by a General Security Agreement	3,201	3,324
Term loan, interest at 4.59%, payable in monthly instalments, due 2023, secured by a General Security Agreement	2,557	2,638
Term loan, interest at 3.96%, payable in monthly instalments, due 2024, secured by a General Security Agreement	1,790	1,832
Term loan, interest at 3.91%, payable in monthly instalments, due 2024, secured by a General Security Agreement	1,803	1,845
Term loan, interest at 3.68%, payable in monthly instalments, due 2025, secured by a General Security Agreement	1,803	1,846
Term loan, interest at 2.81%, payable in monthly instalments, due 2025, secured by a General Security Agreement	11,071	11,364
Term loan, interest at 3.48%, payable in monthly instalments, due 2026, secured by a General Security Agreement	2,728	2,791
Term loan, interest at 3.60%, payable in monthly instalments, due 2027, secured by a General Security Agreement	2,922	2,985
Term loan, interest at 4.09%, payable in monthly Instalments, due 2026, secured by a General Security Agreement	1,637	1,667
Ontario Infrastructure loan, interest at 3.91%, payable in semi-annual instalments, due 2026 secured by a General Security Agreement	1,167	1,333
Term loan, interest at 3.28%, payable in monthly instalments, due 2029 secured by a General Security Agreement	2,376	-
Term loan, interest at 4.53%, payable in monthly instalments, due 2030, secured by a General Security Agreement	$ 1,372	$ 1,468
	37,512	36,311
Less current portion of long-term debt	(1,258)	(1,176)
	$ 36,254	$ 35,135

(Expressed in thousands of dollars)

11. Long-term debt (continued)

Principal payment due in each of the next five years are as follows:

2020	$	1,258
2021		1,303
2022		1,345
2023		1,389
2024		1,432

12. Leases

Right-of-use Asset		Vehicle Leases		Total
Cost or deemed cost				
Balance at January 1, 2019	$	-	$	-
Additions		171		171
Balance at December 31, 2019	$	171	$	171
Accumulated amortization				
Balance at January 1, 2019	$	-	$	-
Amortization		21		21
Balance at December 31, 2019	$	21	$	21
Carrying amounts				
At December 31, 2019	$	150	$	150

Lease Liability		Vehicle Leases		Total
Balance at January 1, 2019	$	-	$	-
Additions		171		171
Repayments		(25)		(25)
Interest		4		4
Balance at December 31, 2019	$	150	$	150

Lease liabilities include a current portion of $35, with the remaining balance due over the following two years.

Certain leases held by the Corporation provide the Corporation with extension options and termination options that may impact the term of the Lease which can impact the finance lease liability recognized in the statement of financial position. The Corporation has determined the lease term for all contracts based on all available information as at the reporting date.

(Expressed in thousands of dollars)

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 $404 to OMERS (2018 - $387) which has been recognized in profit or loss. The Corporation estimates that a contribution of $400 to OMERS will be made during the next fiscal year.

As at December 31, 2019, OMERS had approximately 500,000 members, of whom 42 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 $3.3 billion. This unfunded liability may result in extra 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	$	178	$	157
Included in profit or loss				
Current service cost		9		15
Interest cost		3		6
Included in other comprehensive income				
Actuarial Loss arising from changes in financial assumptions		(90)		-
		100		178
Benefits paid		-		-
Defined benefit obligation, end of year	$	100	$	178

(Expressed in thousands of dollars)

13. Post-employment benefits (continued)

Actuarial assumptions	2019	2018
Discount (interest) rate	3.80%	3.90%
Salary levels	3.10%	3.10%
Medical Costs	6.50%	5.78%
Dental Costs	4.00%	4.50%

(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 $18. A 1% decrease in the assumed discount rate would result in the defined benefit obligation increasing by $20.

14. Share capital

	2019	2018
Authorized:		
Unlimited number of common shares		
Unlimited number of preferred shares		
Issued:		
1,000 common shares, no par value	$ 10,852	$ 10,852

15. Other revenue

	2019	2018
Collection and other service charges	$ 209	$ 261
Billing and other services	233	483
Rent	323	234
Independent Electricity System Operator programs	-	(145)
Recognition of contributions in aid of construction	540	446
Other	199	155
	$ 1,504	$ 1,434

(Expressed in thousands of dollars)

16. Employee salaries and benefits

	2019	2018
Salaries, wages and benefits	$ 3,911	$ 3,596
CPP and EI remittances	276	273
Contributions to OMERS	404	387
	$ 4,591	$ 4,256

17. Finance income and costs

	2019	2018
Finance income		
Interest income on bank deposits	$ 5	$ 16
Finance costs		
Interest expense on long-term debt	(1,377)	(1,277)
Interest expense on customer deposits	(44)	(5)
Other	(13)	(11)
Interest expense on capital lease	(4)	
	(1,398)	(1,293)
Net finance costs recognized in profit or loss	$ 1,393	$ 1,277

18. Commitments and contingencies

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.

(Expressed in thousands of dollars)

19. Related party transactions

(a) Parent and ultimate controlling party

The sole shareholder of the Corporation is the Town of Innisfil. The Town produces consolidated financial statements that are available for public use.

(b) Outstanding balances with related parties

		2019		2018
Town of Innisfil - receivable	$	183	$	177
InnServices Utilities Inc. - receivable		(340)		29
InnServices Utilities Inc. - payable		(3,282)		(3,370)
Innterprises Inc. – receivable		308		87
Innterprises Inc. – payable		-		(41)
	$	(3,131)	$	(3,118)

(c) Transactions with related parties

The Corporation delivers electricity to the Town throughout the year for the electricity needs of the Town and its related organizations. Electricity delivery charges are at prices and under terms approved by the OEB.

The Corporation also provides electricity and other services, including water and wastewater billing and collection, to InnServices Utilities Inc, an affiliate company. Electricity delivery charges are at prices and under terms approved by the OEB. Revenue includes $1,314 (2018 - $948) from InnServices Utilities Inc. for financial, billing, and other services.

(d) 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 or payable is as follows:

		2019		2018
Directors’ fees	$	50	$	43
Salaries and other benefits		720		732
	$	770	$	775

20. 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 long-term debt at December 31, 2019 is $36,038 (2018 - $37,256). 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.

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 Innisfil and South Barrie. As at December 31, 2019, no single customer accounts for a balance in excess of 10% of total accounts receivable (2018 – none).

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 $60 (2018 - $132). An impairment loss of $40 (2018 - $102) 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 $136 (2018 - $116) is considered 60 days past due. The Corporation has over 17,000 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 $39 (2018 - $39).

20. Financial instruments and risk management (continued)

(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 $391, assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

(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 $4,000 line of 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, no amounts had been drawn under the Corporation's credit facility (2018 - $nil).

The Corporation also has a letter of credit facility for $938 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 $25,545 (2018 - $22,510) and long-term debt amounts to $37,512 (2018 - $36,311).

21. Subsequent Event

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, Ontario and Municipal 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 in Ontario resulting in an economic slowdown. The Federal and Provincial Governments, as well as the Bank of Canada, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The success of these interventions is not currently determinable.

The current challenging economic climate may lead to adverse changes in cash flows, working capital and debt requirements, which may also have a direct impact on the Company'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 our business are not known at this time.