

STRATFORD UTILITY CORPORATION
Financial Statements
March 31, 2023

STRATFORD UTILITY CORPORATION
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March 31, 2023

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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements of the Stratford Utility Corporation are the responsibility of management and have been prepared in accordance with Canadian Accounting Standards for the Public Sector. A summary of the significant accounting policies are described in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current period cannot be finalized with a certainty until future periods.

To meet its responsibility, management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

Mayor and Council meet with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by MRSB Chartered Professional Accountants Inc., independent external auditors appointed by the Stratford Utility Corporation. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

Chief Administrative Officer

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councillors of the Stratford Utility Corporation

Opinion

We have audited the financial statements of the Stratford Utility Corporation (the Corporation), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for the Public Sector.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation 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 those 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 Canadian Accounting Standards for the Public Sector, 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 Corporation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

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Auditor's 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 auditor's 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 these 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Corporation 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.

We 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.

MRSB Chartered Professional Accountants Inc.

MRSB CHARTERED PROFESSIONAL ACCOUNTANTS INC.

Charlottetown, PE

September 13, 2023

STRATFORD UTILITY CORPORATION
Statement of Financial Position
March 31, 2023

	2023	2022
Financial assets		
Unrestricted cash	\$ 2,502,040	\$ 2,315,934
Loans and contributions receivable (Note 3)	133,005	138,708
Accounts receivable (Note 4)	1,293,660	1,303,971
Due from related parties (Note 5)	363,055	763,458
	4,291,760	4,522,071
Liabilities		
Accounts payable and accrued liabilities	362,426	766,174
Deferred revenue (Note 6)	51,264	51,264
Long term debt (Note 7)	6,899,717	7,591,721
	7,313,407	8,409,159
Commitments (Note 8)		
Net debt (Statement 6)	(3,021,647)	(3,887,088)
Non-financial assets		
Prepaid expense	7,168	5,778
Tangible capital assets (Schedule 1)	48,903,164	48,008,813
	48,910,332	48,014,591
Accumulated surplus (Statement 5)	\$ 45,888,686	\$ 44,127,503

ON BEHALF OF COUNCIL

_____ *Mayor*

_____ *Councillor*

Notes 1 - 16 are an integral part of these financial statements

STRATFORD UTILITY CORPORATION

**Statement of Operations
Year Ended March 31, 2023**

	Budget 2023	Actual 2023	Actual 2022
Revenues			
Metered sales	\$ 2,760,500	\$ 2,647,006	\$ 2,607,591
Unmetered sales	338,100	333,273	342,791
Frontage charges	58,600	61,890	60,603
Late penalty charges	36,000	34,629	29,773
Interest and other	57,000	27,601	47,261
Connection charges	7,200	5,940	8,600
Gain on disposal of tangible capital assets	-	-	31,590
	3,257,400	3,110,339	3,128,209
Expenditures			
Amortization of tangible capital assets	1,226,800	1,316,991	1,098,850
Electricity	158,300	169,649	172,505
Honorariums	1,000	1,000	1,000
Insurance	17,500	19,881	16,017
Interest and bank charges	24,000	21,066	19,709
Interest on long term debt	231,000	194,483	255,852
Office	15,500	15,237	13,239
Postage	12,000	9,715	11,031
Professional fees	21,000	7,636	28,274
Property taxes	7,600	7,345	7,177
Rental	52,500	52,500	52,500
Repairs and maintenance	103,600	151,008	146,247
Salaries and wages	708,400	710,314	645,474
Snow removal	11,000	9,020	9,268
Software maintenance	45,000	35,716	41,431
Telephone	21,400	23,920	17,134
Tools and equipment	6,000	6,350	6,770
Travel	7,000	8,512	4,299
Treatment fees	530,400	520,413	532,007
Vehicle	29,500	34,697	31,283
Water conservation	14,000	12,225	8,629
Workers compensation	13,000	14,636	4,755
	3,256,500	3,342,314	3,123,451
Operating Surplus (Deficit)	900	(231,975)	4,758
Other revenues			
Government transfers for infrastructure (Note 12)	3,475,500	454,650	1,406,048
Donated capital contributions	-	1,538,508	1,726,941
	3,475,500	1,993,158	3,132,989
Annual surplus	3,476,400	1,761,183	3,137,747
Accumulated surplus - beginning of year	44,127,503	44,127,503	40,989,756
Accumulated surplus - end of year (Note 9)	\$ 47,603,903	\$ 45,888,686	\$ 44,127,503

Notes 1 - 16 are an integral part of these financial statements

STRATFORD UTILITY CORPORATION
Statement of Changes in Net Debt
Year Ended March 31, 2023

	Budget 2023	Actual 2023	Actual 2022
Annual surplus	\$ 3,476,400	\$ 1,761,183	\$ 3,137,747
Amortization of tangible capital assets	1,226,800	1,318,597	1,098,850
Purchase of tangible capital assets	(4,878,500)	(2,212,949)	(4,295,587)
Increase in prepaid expense	-	(1,394)	(1,115)
	(3,651,700)	(895,746)	(3,197,852)
(Increase) decrease in net debt	(175,300)	865,437	(60,105)
Net debt - beginning of year	(3,887,088)	(3,887,088)	(3,826,983)
Net debt - end of year	\$ (4,062,388)	\$ (3,021,647)	\$ (3,887,088)

Notes 1 - 16 are an integral part of these financial statements

STRATFORD UTILITY CORPORATION
Statement of Cash Flows
Year Ended March 31, 2023

	2023	2022
Cash flows from operating activities		
Annual surplus	\$ 1,761,183	\$ 3,137,747
Items not affecting cash:		
Amortization of tangible capital assets	1,318,597	1,098,550
Gain on disposal of tangible capital assets	-	(31,590)
	<u>3,079,780</u>	<u>4,204,707</u>
Changes in non-cash working capital:		
Accounts receivable	10,311	2,556,053
Loans and contributions receivable	5,703	9,402
Prepaid expense	(1,394)	(825)
Accounts payable and accrued liabilities	(403,746)	468,705
Deferred revenue	-	22,907
	<u>(389,126)</u>	<u>3,056,242</u>
	<u>2,690,654</u>	<u>7,260,949</u>
Cash flows from capital activities		
Purchase of tangible capital assets	(2,212,949)	(4,295,587)
Proceeds on disposal of tangible capital assets	-	31,590
	<u>(2,212,949)</u>	<u>(4,263,997)</u>
Cash flows from financing activities		
Repayment of long term debt	(692,002)	(740,028)
Advances (to) from related parties	400,403	(757,814)
	<u>(291,599)</u>	<u>(1,497,842)</u>
Increase in cash	186,106	1,499,110
Cash - beginning of year	<u>2,315,934</u>	<u>816,824</u>
Cash - end of year	<u>\$ 2,502,040</u>	<u>\$ 2,315,934</u>

Notes 1 - 16 are an integral part of these financial statements

STRATFORD UTILITY CORPORATION
Notes to Financial Statements
Year Ended March 31, 2023

1. DESCRIPTION OF BUSINESS

The Stratford Utility Corporation (the "Corporation") was incorporated under the Municipalities Act of Prince Edward Island. The Corporation is considered a municipality under the Income Tax Act and is therefore exempt from income taxes. The Corporation's principal activity is to maintain and operate the water and sewer utility in accordance with the Water and Sewer Act.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Stratford Utility Corporation are the representations of management prepared in accordance with Canadian Accounting Standards for the Public Sector.

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it is earned and measurable. Expenditures are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs and in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the year when the related expenditures are incurred, services are performed or the tangible capital assets are acquired.

Cash

Cash is comprised of unrestricted, internally restricted and restricted balances on deposits with banks and short term indebtedness.

Accounts receivable

Accounts receivable arise from utility billings, government funding receivable, Harmonized Sales Tax receivable and other miscellaneous receivables. An allowance for bad debts has been calculated through discussions with management, assessment of the other circumstances influencing the collectibility of amounts, and using historical loss experience. Amounts deemed uncollectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the period of recovery.

Loan receivable

Loan receivable are initially measured at cost. Loans receivable are subsequently measured at amortized cost, less any valuation allowance.

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STRATFORD UTILITY CORPORATION

Notes to Financial Statements

Year Ended March 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Tangible capital assets

Tangible capital assets are stated at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized over the useful life on a straight-line basis as follows:

Machinery and equipment	10 years
Vehicles	7 years
Small equipment	5 years
Computer hardware and software	4 years
Sewer systems	20 and 50 years
Water systems	50 years

One-half of the annual rate is recorded in the year of acquisition; no amortization is recorded in the year of disposal.

Interest capitalization

Interest costs relating to major capital projects in progress are capitalized as part of tangible capital assets. Capitalization of interest ceases when the asset is substantially complete and ready for its intended productive use.

Impairment of long lived assets

The Corporation tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Asset retirement obligations

Liabilities are recognized for statutory, contractual or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related tangible capital asset. In subsequent periods, the liability is adjusted for accretion and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and accretion expense is included in the Statement of Operations. As at March 31, 2023, no asset retirement obligations have been identified by management.

Donated capital

Donated capital is recorded at the fair market value at the time of the donation. During the year, there was \$1,400,284 in donated capital recorded as tangible capital assets and corresponding revenue (2022 - \$1,726,941).

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STRATFORD UTILITY CORPORATION
Notes to Financial Statements
Year Ended March 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Employees accumulate sick leave at a rate of 1.25 days per month. Employees who reach the age of 60 may take a lump sum payment of half of their accumulated sick leave credits up to a maximum of 75 days' payment at retirement. At March 31, 2023, the liability for unused sick leave, that is required to be paid out upon severance or retirement, amounted to \$38,643 (2022 - \$32,636). No actuarial valuation has been performed pertaining to this liability.

Employees accumulate vacation time based on their years of service. Employees are required to use their vacation time within 12 months of being earned. Employees who leave the organization are paid out for their total accrued vacation time. At March 31, 2023, the liability for unused vacation time that is required to be paid out upon an employee leaving the organization amounted to \$39,791 (2022 - \$43,885). No actuarial valuation has been performed pertaining to this liability.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for the use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the change in net debt for the year.

Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the year in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates on the amounts can be determined.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in surplus. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issuance of financial instruments that are subsequently measured at amortized cost are shown as an adjustment to the carrying value of the related financial instrument.

Revenue recognition

Utility revenues are recognized when the significant risks and rewards of the service are transferred to the customer, which generally coincides with the time of billing, collectability is reasonably assured, persuasive evidence of an arrangement exists and the sales price is fixed and determinable.

The Corporation follows the deferral method of accounting for grants and contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred, with recognition of excess amounts being deferred until the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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STRATFORD UTILITY CORPORATION
Notes to Financial Statements
Year Ended March 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement uncertainty

The presentation of the financial statements in conformity with Canadian Accounting Standards for the Public Sector requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. The following are areas in which management makes significant accounting estimates:

- The amounts recorded for amortization of tangible capital assets on the statement of operations and schedules is subject to management's assessment of the estimated useful life of the Corporation's tangible capital assets;
- The recognized amounts of potential claims and liabilities depend on management's assessment of future costs and the probability these events will occur.

3. LOANS AND CONTRIBUTIONS RECEIVABLE

	2023	2022
Donald Baker, Bakerridge Properties Inc, George Bagnall and K-Right Communications Limited, non-interest bearing until April 2016, at which time interest began to accrue at a rate equal to the Corporation's cost of borrowing, repayable at the earlier of any sale, transfer or development of certain property, at cost.	\$ 125,000	\$ 125,000
Utility capital contributions receivable	8,005	13,708
	\$ 133,005	\$ 138,708

4. ACCOUNTS RECEIVABLE

	2023	2022
Utility billings	\$ 859,834	\$ 835,298
Government transfers	373,218	368,375
HST receivable	60,608	100,298
	\$ 1,293,660	\$ 1,303,971

5. DUE FROM RELATED PARTIES

	2023	2022
Town of Stratford	\$ 359,228	\$ 759,631
Stratford Business Park	3,827	3,827
	\$ 363,055	\$ 763,458

STRATFORD UTILITY CORPORATION
Notes to Financial Statements
Year Ended March 31, 2023

6. DEFERRED REVENUE

	2023	2022
Customer prepayments	\$ 51,264	\$ 51,264
	\$ 51,264	\$ 51,264

7. LONG TERM DEBT

	2023	2022
Royal Bank of Canada - 3.07%; Bankers Acceptance; repayable in quarterly blended installments of \$19,000 to \$22,000 from 2022 to 2028. The loan matures on March 30, 2046.	\$ 2,582,000	\$ 2,657,000
TD Canada Trust - 3.81%; repayable in monthly blended installments of \$7,075. The loan matures on April 24, 2038.	973,069	1,019,908
TD Canada Trust - 3.31%; repayable in monthly blended installments of \$6,180. The loan matures on May 20, 2035.	743,120	792,048
TD Canada Trust - 3.2%; repayable in monthly blended installments of \$3,598. The loan matures on June 14, 2036.	465,829	493,608
TD Canada Trust - 3.45%, repayable in monthly blended installments of \$4,943. The loan matures on May 20, 2034.	549,904	589,689
TD Canada Trust - 3.3%; repayable in monthly blended installments of \$2,960. The loan matures on June 19, 2037.	403,496	425,348
TD Canada Trust - 3.11%; repayable in monthly blended installments of \$6,291. The loan matures on January 23, 2028.	338,279	402,154
TD Canada Trust - 2.57%; repayable in monthly blended installments of \$4,081. The loan matures on June 19, 2027.	197,047	240,369
TD Canada Trust - 2.63%, repayable in monthly blended installments of \$4,335. The loan matures on January 18, 2026.	141,927	189,512
TD Bank - 2.4%; repayable in monthly blended installments of \$1,632. The loan matures on June 30, 2030.	130,227	146,476
Royal Bank of Canada - 2.61%; repayable in monthly blended installments of \$5,581. The loan matures on June 28, 2024.	82,313	146,218
TD Canada Trust - 3.48%; repayable in monthly blended installments of \$5,455. The loan matures on November 23, 2023.	43,115	105,871
TD Canada Trust - 2.86%; repayable in monthly blended installments of \$3,077. The loan matures on December 17, 2024.	62,977	97,566
CMHC - 3.92%; repayable in annual blended installments of \$23,005. The loan matures on March 1, 2026.	64,147	83,665
CMHC - 3.92%; repayable in annual blended installments of \$19,097. The loan matures on March 1, 2026.	53,249	69,451

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STRATFORD UTILITY CORPORATION
Notes to Financial Statements
Year Ended March 31, 2023

7. LONG TERM DEBT (continued)

	2023	2022
CMHC - 3.98%, repayable in annual blended installments of \$19,054. The loan matures on February 1, 2025.	36,185	53,070
CMHC - 3.92%, repayable in annual blended installments of \$11,775. The loan matures on March 1, 2026.	32,833	42,823
Bank of Montreal - 3.03%, repaid during the year.	-	31,960
Royal Bank of Canada - 2.73%, repaid during the year.	-	4,985
	\$ 6,899,717	\$ 7,591,721

Principal repayments of long term debt are expected to be repaid over the next five years as follows:

2024	\$ 656,554
2025	571,906
2026	518,455
2027	435,327
2028	401,186

8. COMMITMENTS

On November 22, 2017, the Town of Stratford signed a 20-year agreement with the City of Charlottetown to use the City's wastewater treatment plant for the treatment of the Town's wastewater. The Corporation is required to pay an annual fee to the City which is a combination of the flow fee and the administrative fee. Expenditures paid by the Town under this agreement in 2023 were \$520,413 (2022 - \$532,007).

9. ACCUMULATED SURPLUS

	2023	2022
Unrestricted surplus (deficit)	\$ (172,512)	\$ 1,522,580
Reserve funds (Note 10)	4,057,752	2,187,832
Investment in tangible capital assets (Note 11)	42,003,446	40,417,091
	\$ 45,888,686	\$ 44,127,503

STRATFORD UTILITY CORPORATION
Notes to Financial Statements
Year Ended March 31, 2023

10. RESERVE FUNDS

	2023	2022
Balance, beginning of year	\$ 2,187,832	\$ 1,934,217
Allocation to Utility capital project fund	1,869,920	253,615
	\$ 4,057,752	\$ 2,187,832
Reserve funds consist of:		
Capital project fund	\$ 2,894,111	\$ 1,162,414
Utility capital reserve	1,163,641	1,025,418
	\$ 4,057,752	\$ 2,187,832

11. INVESTMENT IN TANGIBLE CAPITAL ASSETS

	2023	2022
Tangible capital assets (Schedule 1)	\$ 64,661,613	\$ 62,448,664
Accumulated amortization (Schedule 1)	(15,758,450)	(14,439,852)
Long term debt (Note 7)	(6,899,717)	(7,591,721)
	\$ 42,003,446	\$ 40,417,091

12. GOVERNMENT TRANSFERS FOR INFRASTRUCTURE

	2023	2022
Investing in Canada Infrastructure Program	\$ 299,339	\$ 193,649
Municipal Capital Expenditure Grant	133,686	194,765
Canada Community Building Fund	21,625	118,250
Clean Water Wastewater Fund	-	899,384
	\$ 454,650	\$ 1,406,048

13. FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of cash, accounts receivable, loans and contributions receivable, accounts payable and accrued liabilities, and long term debt.

The Corporation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Corporation's risk exposure and concentration as of March 31, 2023.

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STRATFORD UTILITY CORPORATION
Notes to Financial Statements
Year Ended March 31, 2023

13. FINANCIAL INSTRUMENTS (continued)

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation is exposed to credit risk from customers. In order to reduce its credit risk, the Corporation reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Corporation has a significant number of customers which minimizes concentration of credit risk.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long term debt and accounts payable.

14. LINE OF CREDIT AVAILABILITY

The Corporation has an approved line of credit with Provincial Credit Union Limited for \$2,000,000 at a rate of 6.7%, which is due for renewal on January 5, 2024, and was not utilized at year end. The line of credit is secured by Borrowing Resolution from the Town of Stratford and line of credit agreement.

15. BUDGET FIGURES

Budget figures were not audited or reviewed by external auditor and have been included in the financial statements for comparative purposes only.

16. RELATED PARTY TRANSACTION

During the year, the Corporation paid \$52,500 (2022 - \$52,500) rent to Town of Stratford and received \$24,495 (2022 - \$25,479) in metered sales revenues from Town of Stratford, a related party.

These transactions are in the normal course of operations and are measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

Stratford Utility Corporation
Schedule to Financial Statements
Tangible Capital Assets
Year Ended March 31, 2023

(Schedule 1)

	Cost beginning of year	Additions	Disposals and write downs	Cost end of year	Accum amort beginning of year	Amort in the year	Disposals and write downs	Accum amort end of year	Net book value
2023									
Land	\$ 783,759	\$ -	\$ -	\$ 783,759	\$ -	\$ -	\$ -	\$ -	\$ 783,759
Computer and equipment	447,425	-	-	447,425	202,721	70,391	-	273,112	174,313
Vehicles	139,574	-	-	139,574	106,283	7,538	-	113,821	25,753
Sewer	38,483,211	1,200,805	-	39,684,016	9,073,202	720,308	-	9,793,510	29,890,506
Water	22,594,695	1,012,144	-	23,606,839	5,057,647	520,360	-	5,578,007	18,028,832
	\$ 62,448,664	\$ 2,212,949	\$ -	\$ 64,661,613	\$ 14,439,853	\$ 1,318,597	\$ -	\$ 15,758,450	\$ 48,903,164
2022									
Land	\$ 783,759	\$ -	\$ -	\$ 783,759	\$ -	\$ -	\$ -	\$ -	\$ 783,759
Computer and equipment	268,605	178,820	-	447,425	175,170	27,549	-	202,719	244,706
Vehicles	139,574	-	-	139,574	98,746	7,537	-	106,283	33,291
Sewer	35,488,678	2,994,533	-	38,483,211	8,518,213	554,989	-	9,073,202	29,410,009
Water	21,472,461	1,122,234	-	22,594,695	4,548,872	508,775	-	5,057,647	17,537,048
	\$ 58,153,077	\$ 4,295,587	\$ -	\$ 62,448,664	\$ 13,341,001	\$ 1,098,850	\$ -	\$ 14,439,852	\$ 48,008,813

Notes 1 - 16 are an integral part of these financial statements