2—HYDRO ELECTRIC ACCOUNTS

The accounts and relative data of this department are stated by the auditors to be well and efficiently maintained; the principles formulated by the Public Utilities Commission—which have been conscientiously observed and apparently followed efficiently—having proved of grea[illegible] benefit to sound accounting.

T[illegible] provision for Depreciatio[illegible] of Assets, as required by the Public Utilities Commission, is di[illegible]sed at length, and a pe[illegible]dical investigation is recommended as a check on the accuracy of the prescribed depreciation rates.

The investment of the Depreciation R[illegible]serve Fund is also referred to, it being pointed out that no stated rate of interest from such investment is prescribed, nor is it stated that the Fund shall be invested. This, in the opinion of the auditors, would seem to indicate that contributions to Depreciation Fund through earnings from investments are in the nature of "an extra measure of safety"—the rates of Depreciation being based on the expected life of the various units of construction. Save for the prescribed regulations, therefore, the auditors suggest that these earnings from investments—on the present basis—might perhaps more properly go to Revenue Account. This leads to another point in the report, viz.: the question of whether Surplus from the operation of Utilities should not be used—as allowed by the Charter—for the reduction of the General Debt of the City, thereby reducing general taxation. The auditors urge that careful consideration be given to these matters.

The Balance Sheet of the Hydro-Electric System is summarized as follows:

HYDRO-ELECTRIC BALANCE SHEET
30th April, 1917
Capital Funds Section

Assets:		
Properties, Plant, etc.	$7,559,155.89	
LESS Reserve for Depreciation	1,247,876.90	
	$6,311,278.99	
Investments and Agreements	8,349.65	
Depreciation Funds Invested and on Hand (This includes Sinking Fund)	1,247,876.90	$7,567,505.54
Liabilities:		
Bonded Indebtedness	$7,402,000.00	
Payables (including Bank O D)	165,505.54	7,567,505.54

Revenue Funds Section

Assets:		
Cash	$120,573.91	
Receivables (Less Reserve for loss thereon)	113,915.14	
Inventories and unearned Insurance Premiums	110,589.30	$345,078.35
Liabilities:		
Payables	$120,653.09	
Interest accrued but not due	56,247.29	176,900.38
Surplus		$168,177.97

From the foregoing it will be noted that the surplus on revenue account is being used as working capital. This means that sufficient profits have now accumulated as to obviate the necessity of operating on borrowed money, thus saving interest charges and consequently increasing the net earnings. The auditor[illegible] recommend that the guarantee deposit system be reinstated in this department, as considerable saving of losses through uncollectible accounts would thus be effected. Under present conditions, a reserve of $24,000 per annum is required to provide for bad debts.

Details of the operating account are as follows:

HYDRO-ELECTRIC OPERATING ACCOUNT
Year 1916-17

	Amount	Percentage
Total Operating Revenue	$1,017,407.53	100.00%
Total Operating Expense—(This includes provision for Depreciation and Bad Debts)	621,485.69	61.085%
Net Operating Revenue	$ 395,921.84	38.915%
Fixed Charges less Sundry Income	311,247.31	30.602%
Surplus for year	$ 84,574.53	8.313%

The operating revenue from private sources is shown as follows: Light, $597,977; Power, $259,118; Tramways, $1,843; making $858,958. The balance of the Revenue is paid by the City and other Municipalities.