



Scott Point Waterworks District

Financial Report for the Annual General Meeting 2017

Overview of 2016

The financial position of Scott Point Waterworks District (SPWD) continues to be strong with net financial assets at year-end 2016 of \$179,122. This compares with \$182,419 at the same date in 2015.

At the 2016 AGM, the Trustees reported that the District, following advice obtained from SPWD's consultants on water quality and supply, would be designing a link from Well 4 to the RO plant along with reconfigurations necessary for water treatment and mixing. In 2016, \$22,352, covering consultant design expenses for this work as well as some repair work on the water mains by North Salt Spring Waterworks District (NSSWD), were capitalized. As this amount approximated our revenue from the 2016 Annual Parcel Tax, we were not in a position to add to our long-term capital renewal fund during the year. That fund, portions of which will be needed to fund the actual linkage work (now called Project Blend by the Trustees), stands at \$108,844 at year-end, 2016. See page 8 of the Financial Statements.

2016 Financial Statements

Scott Point Waterworks District's Auditor, McLean, Lizotte, Wheadon and Company, has, once again, provided us with the opinion that "the financial statements present fairly, in all material respects, the financial position of Scott Point Waterworks District as at December 31, 2016, and its results of operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards."

- ***We remain in a good financial position - See Statement of Financial Position (page 2)***
 - Cash and cash equivalents. At year-end 2016, we had \$152,874 combined in 2 bank accounts, one at the Bank of Montreal (BoM) and the other at Island Savings (ISCU), a division of First West Credit Union. The amount of cash was significantly increased in 2016 from \$74,478 at year-end 2015. The decision to hold more funds in cash was taken by the Trustees as term deposits at ISCU matured and interest rates for reinvestment were even lower than in previous years. As the Trustees anticipated requiring greater access to cash to fund the construction work of Project Blend, they decided not to tie it up in longer term investments with minimal yields.
 - Investments. As a result of not re-investing the maturing term deposits, SPWD investments fell from \$107,149 at year-end 2015 to \$36,719 at year-end 2016. In past years, the long-term capital renewal reserve fund was comprised of these term deposits. At year-end 2016, the fund is now comprised of one term deposit holding \$36,719 and \$72,125 held in a bank account.
- ***Revenue matched the level in 2015 – See Statement of Operations (page 3)***
 - Water toll revenue at \$46,987 at year-end 2016 was almost identical to that in 2015 (\$46,994). This was notwithstanding a base rate increase in water usage tolls from \$122/2 months to \$125/2 months affecting ten months of the year and shows that property owners continue to conserve water throughout the year. One leak was encountered on an owner's property during 2016 but the volume did not enter the Excess #2 volume of over 10,000 gallons. A couple of other small leaks were caught when Trustees examined off-billing-month usage numbers. Owners were contacted and then were also able to remedy the source of the leaks before they became a problem.

2016 Financial Statements continued

- Parcel tax revenue during the year was \$24,400 at a rate of \$400 set for the 61 properties in 2016. There were no outstanding parcel taxes at year-end 2016.
- ***Operating expenses were lower than in 2015 – See Statement of Operations (page 3)***
 - Laboratory costs at \$1,519 returned to more normal levels following a year of increased water testing as part of the consultant studies in 2015.
 - Office and miscellaneous expenses include our own copying, mailing and advertising expenses, as well as postage and paper expenses (~\$600/year) from our contracted operator, NSSWD, for invoicing to owners. These expenses at \$863 were lower than in 2015 as website hosting services (~\$250) were prepaid for 2016 in a two-year package paid in 2015.
 - Repair and maintenance expenses at \$36,540 were lower than in 2015 (\$43,587). The reason for this was primarily that the Trustees decided to capitalize one large leakage in the SPWD water main system in 2016 (\$9,057), whereas in 2015 the extra work required of NSSWD was spread out over the year in smaller repair jobs and therefore paid through operating funds. NSSWD hours were also greater in 2015 as operators assisted the consultant-led work. NSSWD operator cost remained at \$71/hour as in 2015.
 - Utilities expenses increased by \$1,205 from \$2,380 in 2015 to \$3,585 in 2016. This increase reflects that Well 1 and the RO were in use throughout most of 2016, whereas they were turned off for several months during the time of consultant study in 2015.
 - Annual surplus of \$4,006 occurred in 2016 while in 2015 SPWD experienced a deficit of \$6,062. This increase can be attributed to the slight increase in revenues and the reduction in expenses, again primarily from the decision to capitalize costs associated with some NSSWD repair work.
- ***Net financial assets decreased slightly in 2016 – See Statement of Changes in Net Assets (page 4)***
 - For the reasons noted in the overview to this report, net financial assets at year-end 2016 were \$179,122, which is \$3,297 less than at year-end 2015 (\$182,419).

Internal Controls/Processes

In 2016, the Trustees were pleased with the operational reporting from our contracted operator and in our testing scheduling and reporting. We continued monthly water meter reading throughout the year (although invoicing remains every two months) to assist in early leakage detection and high water usage notification. This improvement paid off as a few owners were able to pay quick attention to larger than usual water usage numbers when they were notified.

Our customer issue and complaint notification and management process continues as implemented four years ago. No complaints were received in 2016.

At a recent meeting to receive and approve the 2016 Financial Statements, the Auditor commented to the Trustees that SPWD has a good separation of financial duties and responsibilities which provides assurance of internal control over finances.

2017 Budget

- The 2017 budget approved by the Trustees is outlined on page 4 of this report. All the budget and actual numbers provided in this document are on a non-accrual basis. The Trustees prepare the budget in mid-December and do not have the benefit of information on the services provided or expenses for work completed in 2016 but not invoiced or received until the first months of 2017. For these reasons, the numbers do not directly correspond with those in the Financial Statements. However, the Trustees plan and then monitor their work and the financial results of it using the budget and monthly cash flow reports created based on the information shown in the budget.
- **Water tolls.** As ongoing operating costs (such as labour, which NSSWD has increased from \$71/hour in 2016 to \$73/hour in 2017) have generally shown an increment of ~2% each year, the Trustees considered it prudent again to implement a modest increase in the water usage tolls in 2017. The budget for 2017 (\$49,870) includes revenues from Base water tolls at the new 2017 rates (\$128/2 months). To this we have added revenue from the same volume of Excess #1 water usage as in 2016. The rate for Excess #1 water has also been increased to \$55/1000 gallons. See By-law 109.
- **Annual parcel tax.** The annual parcel tax has been held at \$400 for 2017. Revenue of \$24,400 is included in the budget. See By-Law 110. As the Trustees did not know at the time for budget preparation the expected cost of completing Project Blend and as they had decided to increase the water tolls, they decided to maintain the current level of the parcel tax.
- **Expenses.** Generally, expenses are budgeted to increase only slightly from 2016 levels. Other than a partial flushing of the water mains which has already taken place this year, the Trustees do not plan other operational work for NSSWD above the usual system checks and maintenance in 2017. SPWD has a contract in place through which NSSWD will provide operational service during 2017. However, NSSWD notified SPWD that we would need to find alternate billing and administrative services, which we have done. We are pleased that Jean Eastman has contracted to provide those services.
- **Annual surplus/(deficit).** An annual surplus of \$9575 is anticipated given revenue and expense projections. This amount should provide a buffer if unexpected lower revenues or slightly increased expenses should occur.
- **Acquisition of tangible capital assets.** As the cost estimate for Project Blend is not yet known, a place-marker of \$130,000 has been included in the budget for capital expenditures.
- **Change in net financial assets.** Given the expectation that Project Blend will be completed in 2017, a projected change in net financial assets of \$104,111 is included in the 2017 budget. The Trustees intend to access – first, the operating surplus from prior years and second, the renewal reserve fund to pay for capital waterworks expenditures during the year. The Trustees will keep all property owners apprised of developments in planning and implementing Project Blend via the SPWD website. Should a special meeting be appropriate to gain property owners’ input on future finances, one will be called.

That concludes the presentation of the Financial Statements as approved by the Trustees. The District continues to be pleased with the work performed by the auditor and conducted an evaluation after the completion of the audit report. I move that McLean, Lizotte, Wheadon and Company be reappointed as the auditor for the 2017 financial year.

Respectfully submitted by Gillian Hobbs, Trustee and Financial Officer

SCOTT POINT WATERWORKS DISTRICT**OPERATIONS BUDGET 2017**

	2016	2016	2017
	BUDGET*	ACTUAL*	BUDGET*
Revenue			
Water Tolls	47982	46542	49870
Parcel Tax	24400	24815	24400
Recoverable Expenses	0	7	0
Connection Charges	0	350	50
Interest Income	1704	2164	749
HST rebates	425	0	1000
TOTAL REVENUE	74511	73878	76069
Expenses			
Amortization	15867	16314	16314 **
Bank charges	275	247	250
Dues & permits	150	318	275
Insurance	5432	5451	5615
Office	900	770	800
Advertising	150	0	0
Bookkeeping	1298	1269	1260
Audit	4326	4200	4200
Utilities	4204	3395	3500
Laboratory Costs	1769	1721	1600
Maintenance - labour	27000	23251	23950
Maintenance - consumables	12111	8730	8730
TOTAL EXPENSES	73482	65666	66494
ANNUAL SURPLUS/(DEFICIT)	1029	8212	9575
CHANGES IN NET ASSETS			
Acquisition of tangible capital assets			
Labour	20000	15858	30000
Parts/additions	30000	903	100000
TOTAL CAPITAL EXPENDITURES	50000	16761	130000
Amortization of tangible capital assets	15867	16314	16314 **
CHANGE IN NET FINANCIAL ASSETS	(33104)	7765	(104111)

* Note: 2016 Actual and Budget and 2017 Budget are prepared in mid December and do not use accrual accounting.

** Note: Amortization in 2017 will be higher if capital expenditures are made.