Committee of the Whole Excerpts
October 13, 2026

WATER UTILITY AUDIT FOLLOW-UP RE METER READING DECIMAL ERROR EXCERPT

Questions were raised regarding the MNP report, and clarification and updates were sought on several of the recommendations presented by MNP within that report. Following a verbal update a request was made for a formal report to be presented to Council outlining how the error occurred, the Municipality's current position regarding the recommendations in the MNP report, and the status of those recommendations.

The recommended motion was that Committee of the Whole recommends …

COUNCIL DIRECT THE CAO TO PROVIDE AN UPDATE ON THE IMPLEMENTATION OF MNP'S WATER UTILITY OPERATIONAL REVIEW RECOMMENDATIONS, ICLUDING WHAT HAS BEEN COMPLETED, WHAT REMAINS OUTSTANDING AND ALSO WHETHER THE CONCERNS RAISED IN COUNCILLOR IVEY'S FOLLOW UP REPORT THAT WAS RECEIVED HAVE BEEN ADDRESSED.

WEST HANTS REGIONAL MUNICIPALITY REPORT

Information ✓	Recommendation ☐	Decision Request ☐	Councillor Activity ✓

To: Council of the West Hants Regional Municipality

Submitted by: Councillor Jim Ivey, District 11, Windsor South

Date: October 13, 2025

Subject: Water Utility Audit - Follow-up Regarding Meter Reading Decimal Error

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LEGISLATIVE AUTHORITY
MGA: Statement of Provincial Interest Regarding Drinking Water
Meeting and Committee Procedural Policy: Councillor Reports

BACKGROUND:
This report is in follow-up to the presentation of the Water Utility Audit on March 10, 2026 which was directed by a motion Council on January 23, 2024 for:

'an independent firm to undertake a detailed, operational and financial audit of the West Hants and Windsor Water Utilities '.

The audit request was the result of questions and concerns raised by Council when presented with the regional municipality's audited financial statements in October 2023.

In reviewing the region's 2023 financial statements, it was identified that both utilities were impacted by significant financial credits ($400K+/-) against revenue and / or expenses spanning 2021-2023. It was ultimately explained that the credits were due to a meter reading decimal error at the 5 Back Road meter.

In February / March of 2025 MNP was presented to Council as the recommended firm selected through a public procurement RFP process to undertake the water utility audit.

In March 2026 MNP presented their findings to Council.

Transitioning from this brief background to discussion points:
After all the work that has been done and the questions asked; one of the purposes of this report is to address a pivotal matter relating to the cause of the credits. (It appears that MNP

was either restricted from addressing or failed to consider the relevance of the meter reading decimal error as the cause of the credits).

So here is the question, was the meter reading decimal error the cause of the measurable volume increase in water that transited through the Three Mile Plains Back Rd meter?

In answer to that question, the conclusion is no, it was not a meter reading decimal error. It wasn't even close.

Property ☐	Public Opinion ✓	Environment ☐	Social ☐	Economic ✓	Councillor Activity ✓

DISCUSSION:

When this issue of the financial and water credits first surfaced, there was limited clarity provided for the financial and volume-of-water impact; (2021-22 year-end credits and then the 2022-23 year-end credits). Nothing was provided in writing as a starting point for the numbers, just the credits issued and then the end results. The MNP report if only for this reason, assisted by laying out the path of the credits and adjustments. It oddly also served to make clear, that the cause of the credits was not related to a decimal issue.

Average annual volume of water through the TMP Back Rd Meter between 2015-2022 was 95,525,736 imperial gallons.

TMP Back Rd & Underwood
2015 - 2022 Fiscal

Year	Imperial Gallons	Revenues
2015	100,635,458	$ 252,595
2016	105,400,311	$ 264,555
2017	84,688,873	$ 212,569
2018	76,944,618	$ 193,131
2019	111,092,223	$ 278,841
2020	108,068,309	$ 271,251
2021	88,243,426	$ 221,491
2022	89,132,669	$ 223,723
Average	**95,525,736**	**$ 239,770**
If a decimal error, the meter would have registered as	**955,257,359**	
The comparable financial value before credits would have equaled		**$ 2,397,695.97**

If the TMP Back Rd meter experienced a decimal reading error, it would have been required that the meter registered an annual volume of approximately **955,257,359 Imp. Gallons** (or a volume equal to 3.75 times the annual Windsor Water Treatment plant's total production**.**

The actual volume that triggered the investigation into this issue (during the 3rd/4th quarter of 2022), as was initially reported to have gone through the TMP Back Rd Meter was approximately **162,969,874 imperial gallons**. While this number is 67.2 million gallons more than the historic average, it only reflects an increase of 68% more than the average annual water volume that transited the TMP Back Rd meter between 2015 and 2022. For this to have qualified as a decimal error, it needed to be a 900% increase over the historic average.

The near-final point within this report, is that the water treatment plant did experience a 39,111,412 gallon increase during the 2021-22 fiscal period. This accounts for approximately 59% of the unexpected water that we reported through the meter. This increase in water was accounted for in the water treatment plants annual report as follows:

*"The total raw water flow for this period is 1,262,790 m3 & treated water flow is 1,200,962 m3. This is an 11.4% increase in raw water consumption and an 11.3% increase in treated water consumption in comparison to 2021. <u>With higher demands throughout a dry summer, unsurfaced leakage through January and increased development within the serviced area, these increases were expected.</u> " * (Underlined for emphasis)*

Windsor Water Treatment Plant Data

2021-2025 (Fiscal Period)

Imperial Gallons	
Year	**Treatment Plant**
2021	222,213,155
2022	**261,324,567**
2023	257,571,671
2024	268,504,583
2025	262,536,157
Average	**254,430,027**

- Water Treatment Plant data is reported in calendar periods. I have converted it to fiscal periods and imp gallons (JI).

While there are more points to be covered, time is too short at present so I may submit a handout or addendum.

In conclusion, it is hoped the summary points in this report reflect the reasonableness of the background conclusion that the issue regarding the TMP Back Rd meter was not a decimal error but related to some other factor(s) and corrects the assumptions surrounding a decimal reading error.

At this time it should also be noted that this report is <u>not</u> intended to generate a change in prior financial records or accounts. It is however intended that a reflection on this process will result

in a change in the way we address and deal with comments, questions, motions and financial matters of the Municipality. These issues impact on all of us we work diligently for a better West Hants and most importantly for the residents that we all seek to serve. It has been three years since the water credits were initially identified to us, and 4 years since issued. It's important that we all work at doing better with issues such at this.

NEXT STEPS

To be determined based on discussion with Council and or Staff

FINANCIAL IMPLICATIONS

None at this time

ALTERNATIVES

N/A

ATTACHMENTS

3 Year Financial Summary – Dec 5, 2023 CoTW Meeting
Councillor Report Jan 23 2024 Recommending Audit of Water Utillities
(Informational - Not Necessary reading).
An additional addendum or update may be issued to accompany the report – time permitting.

CHIEF ADMINISTRATIVE OFFICER REVIEW

Report Prepared by: **Councillor Jim Ivey, Windsor South, District 11**

Report Reviewed by: _____

Report Approved by: _____

Town Hall

WEST HANTS REGIONAL MUNICIPALITY REPORT

Information ☐	Recommendation	Decision Request	Councillor Activity ✓

To: Committee of the Whole – West Hants Regional Municipality

Submitted by: **Jim Ivey, Councillor, Windsor South, District 11**

Date: November 14, 2023, 2023

Subject: **WHRM Report Information Request - Water Utilities – 3 Year Actuals & Budget**

LEGISLATIVE AUTHORITY

MGA 30 (1) (2) (3) (4)

RECOMMENDATION or DECISION REQUEST

Council direct the CAO to engage staff as appropriate to provide Council with a 3-year detailed financial summary for the Windsor and West Hants Water Utilities to include actual revenues and expenses as well as budgeted revenues and expenses.

BACKGROUND

At the October 24, 2023 Council meeting the Audited Financial results were presented to Council for review and approval.

Two key notes from the auditor's report highlighted:

- "The Windsor Water Utility was flagged as showing a deficit of $425,784. Not alarming but if this trend continues, a rate review and/or consolidation with the West Hants Water Utility should be considered.
- West Hants Water Utility's fiscal year results shows a surplus of $340,526, which is $528,444 higher than the budgeted deficit of $187,918."

While an explanation was ultimately provided for the $425.8K shortfall of the Windsor water utility; it was a 'budget-to-actual variance' identification and not an actual identification of the root cause contributing to the deficit not just on the budget but the year over year actual. It has not been explained what the underlying line item was that was driving the shortfall.

Similarly with the West Hants Water Utility, we don't know the underlying line item contributing to the surplus on the $340.5K over the budgeted deficit of $188K.

Property	Public Opinion ✓	Environment ☐	Social ☐	Economic ☐	Councillor Activity ✓

DISCUSSION

The question on this item is not to suggest that something has been done incorrectly. It is solely to better understand which line items are moving to cause the shift seen in the aggregated revenue and expense lines.

As a singular example within the Windsor Water Utility, "revenue from water rates" represents 50% of the utilities revenues ($1.165M). These revenues were 15% below actuals in the prior year and 32% below budget. Why did the revenues on this line item decline compared to actuals (-$137K) and fail to achieve a budgeted increase of 25% (370K) with neither a rate increase nor a reduction?

NON-CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
OF THE WINDSOR WATER UTILITY OPERATING FUND

YEAR ENDED MARCH 31, 2023

	2023 Budget	2023 Actual	2022 Actual
OPERATING REVENUE			
Revenue from water rates	$ 1,165,900	$ 798,374	$ 933,136
Flat rate sales	459,000	465,140	457,455
Water supply for fire protection	476,241	474,303	474,303
Sprinkler service	7,548	5,728	10,504
Interest	9,354	5,741	6,849
Other	6,189	5,400	8,900
	2,124,232	1,754,686	1,891,147
OPERATING EXPENDITURES			
Source of supply	7,000	12,742	9,857
Water treatment	466,200	544,119	422,094
Transmission and distribution	430,350	450,832	435,256
Administration and general	266,683	315,818	196,724
Taxes	29,478	45,647	28,560
Depreciation	249,469	249,007	262,550
	1,449,180	1,618,165	1,355,041
NET OPERATING REVENUE (EXPENDITURES)	675,052	136,521	536,106
NON-OPERATING EXPENDITURES			
Capital expenditures out of revenue	-	17,922	26,820
Debenture principal	525,143	512,538	197,933
Interest repayment	31,845	31,845	45,338
	556,988	562,305	270,091
Change in fund balance	$ 118,064	(425,784)	266,015
Opening fund balance		1,187,213	921,198
Closing fund balance		$ 761,429	$ 1,187,213

DRAFT

Revenue from Water Rates is made up of the following line items:

Budgeted Detail Revenue from Water Rates		Budget
(Windsor Water Utility)		**2022-23**
Revenue from Water Rates		$ 688,500
Three Mile Plains Water Utilty		$ 294,700
Wentworth Water Utility		$ 5,000
Dill Road Utility		$ 52,000
West Hants- Underwood Meter		$ 1,000
West Hants Service Charge		$ 124,700
Total Operating Revenues		**$ 1,165,900**

Without the detailed actuals and the budget comparison it is difficult to know the cause of the shortfalls or surpluses in actuals and budget. It would be helpful to know this information to assist with future decisions related to the Municipality's water utilities.

NEXT STEPS

Council to direct staff as noted in the motion or propose an alternative direction.

FINANCIAL IMPLICATIONS

Staff time to prepare the report.

ALTERNATIVES

To be determined

ATTACHMENTS:

(Original Information Report from Sept Council Meeting)

CHIEF ADMINISTRATIVE OFFICER REVIEW

The questions raised by Councillor Ivey are more than reasonable and should be answered. I will forward this report to senior staff prior to the November COTW meeting so that they can prepare and provide Council with expanded answers to the questions asked in October and highlighted in the report. Pending the discussion with Council regarding this subject and the outcome of the recommendation further follow-up will be provided as directed by Council.

Report Prepared by: **Jim Ivey, Councillor Windsor South, District 11**

Report Reviewed by: _____

Mark Phillips, Chief Administrative Officer

Windsor Water Utility

	2020-21			2021-22			2022-23		
REVENUE	**ACTUALS**	**BUDGET**	**VARIANCE**	**ACTUALS**	**BUDGET**	**VARIANCE**	**ACTUALS**	**BUDGET**	**VARIANCE**
Residential Metered	$ 564,450	$ 600,000	$ (35,550)	$ 589,466	$ 675,000	$ (85,534)	$ 641,019	$ 688,500	$ (47,481)
Flat Rate Sales	$ 465,915	$ 430,000	$ 35,915	$ 457,455	$ 450,000	$ 7,455	$ 465,140	$ 459,000	$ 6,140
Fire Protection -Town of Windsor	$ 271,255	$ 319,200	$ (47,945)	$ 319,208	$ 275,000	$ 44,208	$ 319,208	$ 319,208	$ -
Fire Protection - West Hants	$ 131,799	$ 155,100	$ (23,301)	$ 155,095	$ 132,000	$ 23,095	$ 155,095	$ 155,095	$ -
Fire Protection- Private Hydrants	$ -	$ 3,800	$ (3,800)	$ -	$ 1,900	$ (1,900)	$ -	$ 1,938	$ (1,938)
Sprinkler Service	$ 5,817	$ 5,650	$ 167	$ 5,689	$ 7,400	$ (1,711)	$ 5,728	$ 7,548	$ (1,820)
Three Mile Plains Water Utility	$ 220,773	$ 180,000	$ 40,773	$ 223,343	$ 294,700	$ (71,357)	$ 28,361	$ 294,700	$ (266,339)
Wentworth Water Utility	$ (5,813)	$ 4,200	$ (10,013)	$ 3,175	$ 5,000	$ (1,825)	$ 2,538	$ 5,000	$ (2,462)
Dill Road Utility	$ 35,491	$ 50,000	$ (14,509)	$ 17,528	$ 52,000	$ (34,472)	$ 25,144	$ 52,000	$ (26,856)
West Hants- Underwood Meter	$ 718	$ 80,000	$ (79,282)	$ 380	$ 1,000	$ (620)	$ 410	$ 1,000	$ (590)
West Hants Service Charge	$ 99,796	$ 99,520	$ 276	$ 99,244	$ 124,700	$ (25,456)	$ 100,902	$ 124,700	$ (23,798)
Interest on Customer Accounts	$ 7,278	$ 6,500	$ 778	$ 3,645	$ 7,200	$ (3,555)	$ 3,501	$ 7,344	$ (3,843)
Other Operating Revenue	$ 4,650	$ 3,800	$ 850	$ 13,715	$ 5,381	$ 8,334	$ 5,400	$ 5,489	$ (89)
TOTAL OPERATING REVENUE	**$ 1,802,128**	**$ 1,937,770**	**$ (135,642)**	**$ 1,887,943**	**$ 2,031,281**	**$ (143,338)**	**$ 1,752,446**	**$ 2,121,522**	**$ (369,075)**

	2020-21			2021-22			2022-23		
EXPENSES	**ACTUALS**	**BUDGET**	**VARIANCE**	**ACTUALS**	**BUDGET**	**VARIANCE**	**ACTUALS**	**BUDGET**	**VARIANCE**
SOURCE OF SUPPLY									
Maintenance - Watershed Roads	$ -	$ 12,000	$ (12,000)	$ -	$ 12,000	$ (12,000)	$ 2,678	$ 5,000	$ (2,322)
Other Supplies & Expenses	$ 1,837	$ 1,500	$ 337	$ 27	$ 1,500	$ (1,473)	$ 10,064	$ 500	$ 9,564
Water Withdrawal Fees	$ 1,289	$ 1,500	$ (211)	$ 1,289	$ 1,500	$ (211)	$ -	$ 1,500	$ (1,500)
TOTAL SOURCE OF SUPPLY	**$ 3,127**	**$ 15,000**	**$ (11,873)**	**$ 1,317**	**$ 15,000**	**$ (13,683)**	**$ 12,742**	**$ 7,000**	**$ 5,742**
WATER TREATMENT									
Operational Labour	$ 202,579	$ 173,500	$ 29,079	$ 136,467	$ 154,200	$ (17,733)	$ 196,688	$ 182,900	$ 13,788
Photocopier	$ 386	$ 1,200	$ (814)	$ 375	$ 1,200	$ (825)	$ 450	$ 500	$ (50)
Office Supplies	$ (1,957)	$ 200	$ (2,157)	$ 31	$ 200	$ (169)	$ -	$ 200	$ (200)
Chemicals	$ 84,046	$ 106,700	$ (22,654)	$ 97,125	$ 111,700	$ (14,575)	$ 139,518	$ 115,600	$ 23,918
Other Supplies & Expenses	$ 1,647	$ 2,000	$ (353)	$ 3,316	$ 2,000	$ 1,316	$ 2,641	$ 3,000	$ (359)
Maintenance - Plant Roadways	$ 5,609	$ 5,000	$ 609	$ 9,056	$ 5,000	$ 4,056	$ 7,584	$ 5,000	$ 2,584
Maintenance - Building	$ 7,539	$ 20,000	$ (12,461)	$ 15,409	$ 20,000	$ (4,591)	$ 17,051	$ 15,000	$ 2,051
Maintenance - Equipment	$ 52,701	$ 37,500	$ 15,201	$ 43,072	$ 37,500	$ 5,572	$ 45,978	$ 37,500	$ 8,478
Maintenance - Waste Water Lagoon	$ 5,149	$ 5,000	$ 149	$ 1,642	$ 5,000	$ (3,358)	$ 3,754	$ 5,000	$ (1,246)
Power	$ 49,603	$ 51,500	$ (1,897)	$ 46,121	$ 51,500	$ (5,379)	$ 58,981	$ 49,000	$ 9,981
Fuel	$ 16,026	$ 23,000	$ (6,974)	$ 33,481	$ 23,000	$ 10,481	$ 38,636	$ 23,000	$ 15,636
Lab Supplies	$ 5,204	$ 4,500	$ 704	$ 5,958	$ 5,500	$ 458	$ 4,201	$ 5,500	$ (1,299)
Outside Testing	$ 19,496	$ 10,000	$ 9,496	$ 11,011	$ 12,000	$ (989)	$ 11,521	$ 12,000	$ (479)
All Terrain Vehicle	$ 451	$ 750	$ (299)	$ 157	$ 750	$ (593)	$ 205	$ 500	$ (295)
TOTAL WATER TREATMENT	**$ 448,479**	**$ 440,850**	**$ 7,629**	**$ 403,219**	**$ 429,550**	**$ (26,331)**	**$ 527,208**	**$ 454,700**	**$ 72,508**
TRANSMISSION & DISTRIBUTION									
Operational Labour	$ 308,055	$ 267,420	$ 40,635	$ 252,915	$ 276,458	$ (23,543)	$ 342,241	$ 319,150	$ 23,091
Small Tools & Equipment	$ 4,003	$ 5,000	$ (997)	$ 6,788	$ 5,000	$ 1,788	$ 8	$ 6,000	$ (5,992)
Maintenance - Mains & Standpipes	$ 65,772	$ 101,500	$ (35,728)	$ 114,050	$ 101,500	$ 12,550	$ 48,490	$ 65,000	$ (16,510)
Maintenance - Services	$ 17,696	$ 15,000	$ 2,696	$ 12,647	$ 15,000	$ (2,353)	$ 25,580	$ 10,000	$ 15,580
Maintenance - Meters	$ 8,611	$ 3,000	$ 5,611	$ 12,880	$ 3,000	$ 9,880	$ 6,015	$ 3,000	$ 3,015
Maintenance - Hydrants	$ 4,171	$ 8,500	$ (4,329)	$ 2,297	$ 8,500	$ (6,203)	$ (5,914)	$ 7,500	$ (13,414)
Power - Isolation Valve Chamber	$ 1,185	$ 1,200	$ (15)	$ 990	$ 1,200	$ (210)	$ 1,383	$ 1,200	$ 183
Other Expenses	$ 212	$ 33,401	$ (33,189)	$ 329	$ 31,540	$ (31,211)	$ 841	$ 1,500	$ (659)
Vehicle Use from PW	$ 40,338	$ 84,880	$ (44,542)	$ 29,891	$ 17,000	$ 12,891	$ 32,188	$ 17,000	$ 15,188
TOTAL TRANSMISSION & DISTRIBUTION	**$ 450,044**	**$ 519,901**	**$ (69,857)**	**$ 432,786**	**$ 459,198**	**$ (26,412)**	**$ 450,832**	**$ 430,350**	**$ 20,482**
ADMINISTRATION									
Advertising	$ 409	$ 1,200	$ (791)	$ 278	$ 1,200	$ (922)	$ 696	$ 700	$ (4)
Auditors	$ 11,100	$ 11,100	$ -	$ 8,838	$ 8,475	$ 363	$ 4,067	$ 8,800	$ (4,733)
UARB	$ 2,124	$ 2,132	$ (8)	$ -	$ 2,132	$ (2,132)	$ 4,083	$ 11,627	$ (7,544)
Professional Services	$ 41,112	$ 50,000	$ (8,888)	$ 23,131	$ 72,000	$ (48,869)	$ 23,069	$ 52,000	$ (28,931)
Computer & Asset Management	$ 2,483	$ 23,207	$ (20,724)	$ 11,997	$ 17,167	$ (5,170)	$ 7,674	$ 10,167	$ (2,493)
Insurance	$ 5,354	$ 7,380	$ (2,026)	$ 8,871	$ 9,963	$ (1,092)	$ 11,205	$ 10,645	$ 560
Uncollectible Accounts	$ -	$ 2,000	$ (2,000)	$ -	$ 1,000	$ (1,000)	$ -	$ 7,500	$ (7,500)
Training & Travel	$ 3,856	$ 15,500	$ (11,644)	$ 13,340	$ 15,500	$ (2,160)	$ 18,687	$ 15,000	$ 3,687
Telephone	$ 3,351	$ 2,500	$ 851	$ 6,070	$ 2,500	$ 3,570	$ 7,790	$ 3,000	$ 4,790
PW Contribution	$ 15,669	$ 56,399	$ (40,730)	$ 29,835	$ 25,000	$ 4,835	$ 35,217	$ 27,000	$ 8,217
Administration Fee	$ 23,390	$ 23,390	$ -	$ 132,498	$ 132,498	$ -	$ 220,242	$ 131,744	$ 88,498
Deprecreation	$ 249,469	$ 247,244	$ 2,225	$ 254,300	$ 247,244	$ 7,056	$ 249,007	$ 249,469	$ (462)
Taxes	$ 28,711	$ 29,478	$ (767)	$ 28,561	$ 29,478	$ (917)	$ 45,648	$ 29,478	$ 16,170
TOTAL ADMINISTRATION EXPENSES	**$ 387,028**	**$ 471,530**	**$ (84,502)**	**$ 517,719**	**$ 564,157**	**$ (46,438)**	**$ 627,385**	**$ 557,130**	**$ 70,255**
TOTAL OPERATING EXPENSES	**$ 1,288,678**	**$ 1,447,281**	**$ (158,603)**	**$ 1,355,042**	**$ 1,467,905**	**$ (112,863)**	**$ 1,618,166**	**$ 1,449,180**	**$ 168,985**
Operating Profit (Loss)	**$ 513,450**	**$ 490,489**	**$ 22,961**	**$ 532,902**	**$ 563,376**	**$ (30,474)**	**$ 134,281**	**$ 672,341**	**$ (538,061)**
NON OPERATING REVENUE									
Interest	$ 810	$ 6,498	$ (5,688)	$ 2,618	$ 6,498	$ (3,880)	$ 2,240	$ 2,010	$ 230
Other Non-Operating Revenue	$ 531	$ 1,200	$ (669)	$ 586	$ 1,200	$ (614)	$ -	$ 700	$ (700)
TOTAL NON OPERATING REVENUE	**$ 1,341**	**$ 7,698**	**$ (6,357)**	**$ 3,204**	**$ 7,698**	**$ (4,494)**	**$ 2,240**	**$ 2,710**	**$ (470)**
NON OPERATING EXPENSES									
Principal on Long Term Debt	$ 195,618	$ 182,520	$ 13,098	$ 197,933	$ 182,520	$ 15,413	$ 512,538	$ 525,143	$ (12,605)
Interest on Long Term Debt	$ 51,700	$ 61,650	$ (9,950)	$ 45,338	$ 61,650	$ (16,312)	$ 31,845	$ 31,845	$ -
CAPITAL EXPENDITURES OUT OF REVENUE	$ 3,014	$ 4,000	$ (986)	$ 26,820	$ -	$ 26,820	$ 17,922	$ -	$ 17,922
Transfer to Sludge Handling Reserve	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL NON OPERATING EXPENSES	**$ 250,332**	**$ 248,170**	**$ 2,162**	**$ 270,091**	**$ 244,170**	**$ 25,921**	**$ 562,304**	**$ 556,988**	**$ 5,317**
Total Surplus/(Deficit)	**$ 264,459**	**$ 250,017**	**$ 14,442**	**$ 266,015**	**$ 326,904**	**$ (60,889)**	**$ (425,784)**	**$ 118,063**	**$ (543,847)**

West Hants Water Utility

	2020-21			2021-22			2022-23		
REVENUE	**ACTUALS**	**BUDGET**	**VARIANCE**	**ACTUALS**	**BUDGET**	**VARIANCE**	**ACTUALS**	**BUDGET**	**VARIANCE**
Residential - Consumption	$ 1,003,721	$ 1,300,000	$ (296,279)	$ 981,822	$ 1,205,000	$ (223,178)	$ 980,297	$ 1,229,100	$ (248,803)
Residential - Meter	$ 552,860	$ 290,000	$ 262,860	$ 678,695	$ 479,000	$ 199,695	$ 706,602	$ 488,580	$ 218,022
Commercial (Bulk Sales)	$ 1,558	$ -	$ 1,558	$ 1,949	$ 1,950	$ (1)	$ 1,965	$ 1,989	$ (24)
Public	$ 600,000	$ 604,438	$ (4,438)	$ 595,789	$ 600,000	$ (4,211)	$ 595,789	$ 595,789	$ -
Private	$ 1,250	$ 1,400	$ (150)	$ 1,250	$ 1,250	$ -	$ -	$ 1,250	$ (1,250)
Services	$ 900	$ 1,000	$ (100)	$ 900	$ 900	$ -	$ -	$ 918	$ (918)
Other	$ 4,406	$ -	$ 4,406	$ 10,490	$ 4,000	$ 6,490	$ (12,149)	$ 4,080	$ (16,229)
Special Services	$ 16,050	$ 13,500	$ 2,550	$ 16,705	$ 16,150	$ 555	$ 15,110	$ 16,473	$ (1,363)
Water Sales	$ -	$ -	$ -	$ 14,163	$ -	$ 14,163	$ 127,163	$ 24,000	$ 103,163
Interest Earned Overdue Acc.	$ 3,562	$ 4,000	$ (438)	$ 10,116	$ 4,000	$ 6,116	$ 3,221	$ 6,000	$ (2,779)
TOTAL OPERATING REVENUE	**$ 2,184,306**	**$ 2,214,338**	**$ (30,032)**	**$ 2,311,878**	**$ 2,312,250**	**$ (372)**	**$ 2,417,998**	**$ 2,368,179**	**$ 49,819**

	2020-21			2021-22			2022-23		
EXPENSES	**ACTUALS**	**BUDGET**	**VARIANCE**	**ACTUALS**	**BUDGET**	**VARIANCE**	**ACTUALS**	**BUDGET**	**VARIANCE**
SOURCE OF SUPPLY									
Maintenance (SOS)	$ 2,115	$ 9,000	$ (6,885)	$ 3,423	$ 9,000	$ (5,577)	$ 6,072	$ 8,000	$ (1,928)
Water Purchased - TMP	$ 492,756	$ 413,720	$ 79,036	$ 497,165	$ 413,720	$ 83,445	$ 241,903	$ 413,720	$ (171,817)
Water/Provincial Permits	$ 859	$ 500	$ 359	$ 470	$ 500	$ (30)	$ 5,000	$ 500	$ 4,500
TOTAL SOURCE OF SUPPLY	**$ 495,730**	**$ 423,220**	**$ 72,510**	**$ 501,058**	**$ 423,220**	**$ 77,838**	**$ 252,975**	**$ 422,220**	**$ (169,246)**
WATER TREATMENT									
Operational Labour	$ 194,762	$ 179,000	$ 15,762	$ 166,045	$ 180,000	$ (13,955)	$ 218,717	$ 220,650	$ (1,933)
Power - 238 Eldridge Rd	$ 36,948	$ 67,000	$ (30,052)	$ 44,031	$ 67,000	$ (22,969)	$ 41,456	$ 30,000	$ 11,456
Power - Hantsport WTP	$ 4,856	$ 6,000	$ (1,144)	$ 32	$ 6,000	$ (5,968)	$ 21,364	$ 43,000	$ (21,636)
Fuel / Propane - Inc. Generator- & Maintainance	$ 7,780	$ 550	$ 7,230	$ 12,817	$ 550	$ 12,267	$ 17,984	$ 13,000	$ 4,984
Chemicals	$ 74,436	$ 62,000	$ 12,436	$ 72,588	$ 70,000	$ 2,588	$ 83,327	$ 78,000	$ 5,327
Alarm	$ 229	$ 1,000	$ (771)	$ 599	$ 1,000	$ (401)	$ 480	$ 700	$ (220)
Structures & Improvements	$ 14,260	$ 7,100	$ 7,160	$ 8,484	$ 7,200	$ 1,284	$ 7,778	$ 7,200	$ 578
Pumping Equipment	$ 598	$ 3,000	$ (2,402)	$ 778	$ 3,000	$ (2,222)	$ 107	$ 2,500	$ (2,393)
Treatment Equipment	$ 39,653	$ 45,000	$ (5,347)	$ 59,506	$ 45,000	$ 14,506	$ 39,925	$ 45,000	$ (5,075)
Supplies & Maintenance	$ 6,632	$ 500	$ 6,132	$ 3,639		$ 3,639	$ 12,225	$ 11,500	$ 725
Other Expenses	$ 438	$ 11,400	$ (10,962)	$ 3,544	$ 11,000	$ (7,456)	$ 333	$ 1,000	$ (667)
TOTAL WATER TREATMENT	**$ 380,592**	**$ 382,550**	**$ (1,958)**	**$ 372,062**	**$ 390,750**	**$ (18,688)**	**$ 443,697**	**$ 452,550**	**$ (8,853)**
TRANSMISSION & DISTRIBUTION									
Supervision	$ 203,215	$ 210,000	$ (6,785)	$ 194,261	$ 216,300	$ (22,039)	$ 249,929	$ 251,900	$ (1,971)
Operational Labour	$ 194,384	$ 190,000	$ 4,384	$ 152,480	$ 172,000	$ (19,520)	$ 243,169	$ 246,700	$ (3,531)
Reservoirs & Standpipes	$ 11,232	$ 17,000	$ (5,768)	$ 15,711	$ 17,000	$ (1,289)	$ 21,871	$ 17,000	$ 4,871
Structures & Improvements	$ 4,787	$ 3,000	$ 1,787	$ 179	$ 3,000	$ (2,821)	$ 167	$ 3,000	$ (2,833)
Mains	$ 110,669	$ 25,000	$ 85,669	$ 79,734	$ 30,000	$ 49,734	$ 89,898	$ 75,000	$ 14,898
Leak Detection	$ 8,353	$ 15,000	$ (6,647)	$ 3,371	$ 10,000	$ (6,629)	$ 10,118	$ 7,500	$ 2,618
Bulk Water Haul Station	$ -		$ -	$ -		$ -	$ -	$ -	$ -
Services	$ (100,323)	$ 34,000	$ (134,323)	$ (100,563)	$ 34,000	$ (134,563)	$ (66,463)	$ 30,000	$ (96,463)
Meters - Supplies & Maintenance	$ 3,281	$ 6,000	$ (2,720)	$ 2,613	$ 6,000	$ (3,387)	$ 5,899	$ 6,000	$ (101)
Hydrants	$ 4,314	$ 10,000	$ (5,686)	$ 16,136	$ 10,000	$ 6,136	$ 4,217	$ 10,000	$ (5,783)
PW Cost Distribution	$ 16,543	$ 20,000	$ (3,457)	$ 18,441	$ 20,000	$ (1,559)	$ 26,810	$ 21,520	$ 5,290
Rents (DMA Radio)	$ 718	$ 1,700	$ (982)	$ 319	$ 850	$ (531)	$ -	$ 850	$ (850)
Fleet Maintenance	$ 9,157	$ 22,805	$ (13,648)	$ 23,921	$ 22,805	$ 1,116	$ 35,651	$ 23,675	$ 11,976
Fleet Fuel	$ 7,943	$ 9,140	$ (1,197)	$ 21,255	$ 9,140	$ 12,115	$ 25,082	$ 12,000	$ 13,082
Other	$ 1,168	$ 3,700	$ (2,532)	$ 159	$ 200	$ (41)	$ 209	$ 200	$ 9
Lab Analysis	$ 16,679	$ 26,000	$ (9,321)	$ 15,478	$ 28,000	$ (12,522)	$ 13,971	$ 20,000	$ (6,029)
Monitoring Services	$ 202	$ 8,500	$ (8,298)	$ 3,286	$ 8,500	$ (5,214)	$ -	$ 4,000	$ (4,000)
Power	$ 27,892	$ 14,500	$ 13,392	$ 20,709	$ 14,500	$ 6,209	$ 11,434	$ 22,000	$ (10,566)
TOTAL TRANSMISSION & DISTRIBUTION	**$ 520,215**	**$ 616,345**	**$ (96,130)**	**$ 467,490**	**$ 602,295**	**$ (134,806)**	**$ 671,964**	**$ 751,345**	**$ (79,381)**
ADMINISTRATION									
Professional Services	$ 3,567	$ 25,000	$ (21,433)	$ 11,062	$ 25,000	$ (13,938)	$ 14,211	$ 32,500	$ (18,289)
Computer & Asset Management	$ 29,749	$ 18,667	$ 11,082	$ 11,120	$ 29,000	$ (17,880)	$ 5,426	$ 6,667	$ (1,241)
Mileage & Expenses	$ 5,344	$ 2,500	$ 2,844	$ 4,896	$ 2,500	$ 2,396	$ 5,947	$ 3,100	$ 2,847
Training & Development	$ 4,495	$ 3,103	$ 1,392	$ 5,263	$ 2,805	$ 2,458	$ 7,730	$ 3,505	$ 4,225
Telephone	$ 11,382	$ 8,500	$ 2,882	$ 7,729	$ 9,500	$ (1,771)	$ 14,795	$ 9,000	$ 5,795
Advertising	$ 388	$ 1,000	$ (612)	$ 278	$ 1,000	$ (722)	$ 1,163	$ 1,000	$ 163
Administration Fee	$ 112,000	$ 112,000	$ -	$ 230,641	$ 230,641	$ -	$ 131,744	$ 220,242	$ (88,498)
General Office Expenses	$ 1,556	$ 4,400	$ (2,844)	$ 1,425	$ 4,900	$ (3,475)	$ 1,765	$ 4,400	$ (2,635)
Auditor	$ 12,000	$ 12,000	$ -	$ 8,838	$ 8,475	$ 363	$ 4,067	$ 8,800	$ (4,733)
UARB	$ 2,316	$ 1,000	$ 1,316	$ -	$ 1,000	$ (1,000)	$ 4,975	$ 9,495	$ (4,520)
Insurance	$ 6,736	$ 9,200	$ (2,464)	$ 6,379	$ 9,200	$ (2,821)	$ 7,074	$ 7,655	$ (581)
Other Expenses	$ 7,419	$ 11,000	$ (3,581)	$ 145	$ 14,115	$ (13,970)	$ 3,384	$ 6,000	$ (2,616)
Depreciation	$ 370,678	$ 430,709	$ (60,031)	$ 406,880	$ 430,709	$ (23,829)	$ 390,304	$ 444,812	$ (54,508)
Taxes	$ 36,211	$ 39,372	$ (3,161)	$ 35,450	$ 39,372	$ (3,922)	$ 18,243	$ 39,372	$ (21,129)
TOTAL ADMINISTRATION EXPENSES	**$ 603,842**	**$ 678,451**	**$ (74,609)**	**$ 730,106**	**$ 808,217**	**$ (78,111)**	**$ 610,830**	**$ 796,549**	**$ (185,719)**
TOTAL OPERATING EXPENSES	**$ 2,000,379**	**$ 2,100,566**	**$ (100,187)**	**$ 2,070,716**	**$ 2,224,482**	**$ (153,766)**	**$ 1,979,465**	**$ 2,422,664**	**$ (443,198)**
Operating Profit (Loss)	**$ 183,927**	**$ 113,772**	**$ 70,155**	**$ 241,162**	**$ 87,768**	**$ 153,394**	**$ 438,532**	**$ (54,485)**	**$ 493,017**
NON OPERATING REVENUE									
Bank Interest	$ 1,343	$ 3,500	$ (2,157)	$ (232)	$ 3,500	$ (3,732)	$ 640	$ 3,500	$ (2,860)
TOTAL NON OPERATING REVENUE	**$ 1,343**	**$ 3,500**	**$ (2,157)**	**$ (232)**	**$ 3,500**	**$ (3,732)**	**$ 640**	**$ 3,500**	**$ (2,860)**
NON OPERATING EXPENSES									
Principal	$ 65,020	$ 60,133	$ 4,887	$ 51,334	$ 60,133	$ (8,799)	$ 60,134	$ 60,134	$ -
Long Term Debt (interest)	$ 30,283	$ 46,322	$ (16,039)	$ 15,691	$ 46,322	$ (30,631)	$ 13,572	$ 16,800	$ (3,228)
Capital Out of Revenue	$ 2,769	$ 25,000	$ (22,231)	$ 44,668	$ -	$ 44,668	$ 24,941	$ 50,000	$ (25,059)
Transfer to Sludge Handling Reserve	$ 10,000	$ 10,000	$ -	$ 10,000	$ 10,000	$ -	$ -	$ 10,000	$ 10,000
TOTAL NON OPERATING EXPENSES	**$ 108,072**	**$ 141,455**	**$ (33,383)**	**$ 121,692**	**$ 116,455**	**$ 5,237**	**$ 98,646**	**$ 136,934**	**$ (18,288)**
Total Surplus/(Deficit)	**$ 77,198**	**$ (24,183)**	**$ 101,381**	**$ 119,238**	**$ (25,187)**	**$ 144,425**	**$ 340,526**	**$ (187,919)**	**$ 508,445**

WEST HANTS REGIONAL MUNICIPALITY REPORT

Information ☐	Recommendation ✓	Decision Request	Councillor Activity ✓

To: Committee of the Whole – West Hants Regional Municipality

Submitted by: **Jim Ivey, Councillor, Windsor South, District 11**

Date: January 9, 2023

Subject: Windsor West Hants Water Utilities - Detailed Audit Recommendation Report

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LEGISLATIVE AUTHORITY

Meeting and Committee Procedural Policy: Councillor Reports
MGA Part II Sections 30 & 31 CAO and Council Relationship
NSUARB – Water Utility Regulations

RECOMMENDATION or DECISION REQUEST
Council directs CAO to secure an independent firm to undertake a detailed, operational and financial audit of the West Hants and Windsor Water Utilities.

Council directs the CAO to have Water Utility Financial Reports provided to Council for review on a monthly basis as presently occurs with the West Hants operating financial report and further that the water utility budgets also include the volume of water that is delivered 'wholesale' to the transmission and distribution system and the volume of water that is billed through the finance department to our retail, end-user customers.

Property	Public Opinion ✓	Environment ✓	Social ☐	Economic ✓	Councillor Activity ✓

BACKGROUND:
In January 2022, staff identified an apparent wholesale meter reading error between the Windsor and Three Mile Plains Water Utility "TMP" (one of three consolidated West Hants Utilities).

The meter reading issue was described as being sufficiently large (40 million gallons per quarter) to trigger an investigation for billing purposes. Review of the matter involved staff from both the Department of Finance and Public Works. The issue was ultimately resolved around June 2021 with the meter being replaced.

An estimate calculated by staff for a correcting adjustment was issued to the TMP utility which appears to have reduced its 'Source of Supply' cost for water purchased from the Windsor Water Utility almost entirely (not just for the overage of the meter). (Wholesale water, bulk meter, bulk rate).

Additionally, the Windsor Utility was subsequently assessed a correcting adjustment ($297,000) against its water sold revenues for its sale of water to the Three Miles Plain Utility. (Wholesale water, bulk meter, bulk rate).

(It should be noted that none of the preceding details regarding the meter reading issue or financial impacts were raised with West Hant Regional Council or the Audit Committee over the last two years).

When the 2022-23 Audited Statements were presented to Council (Oct 28, 2023), the Windsor Utility reflected a deficit of (-$425K) against a budget of +$118K.

The Three Mile Plains / West Hants Utility however generated a surplus of +$341K against a budgeted loss of (-$118K).

Questions were raised about the cause of the deficit for the Windsor Utility as well as the surplus of the West Hants Utility during the presentation of the audited statements. The responses provided were solely as a "budget to actual" comparison without any reference to the two primary factors of almost $300K in adjustments for each of the two utilities.

Responses to questions over the last 2 months have at the very least, maintained a level of uncertainty regarding the meter reading issue and how it was 'adjusted' operationally and financially on the wholesale side of the equation. Information on the timing when the meter reading issue first occurred and for the credits issued remains vague.

DISCUSSION:
Water Utilities in Nova Scotia are regulated by the Utility and Review Board. The interconnection of the Windsor and Three Mile Plains Utilities continues to be a regulated relationship including the accounting for both non-revenue water and unaccounted water.

The Windsor Water Utility does not have a record of operating at a deficit and further has historically sold water on a wholesale basis to the Three Mile Plains Utility at a recent level which generated revenues of approximately $220K +/- per year (2020-21 and 2021-22).
(To note, the budget for sales to Three Mile Plains for the last 2 years has been $294,000 or $56,000 less than the 'incorrectly metered' value of water sold as of the third quarter of 2021-22 estimated at $350,000).

Adjustments were reported to have been applied to both the Windsor and Three Mile Plains Utilities for the 2021-22 fiscal year and for the remainder of the credit to be applied to the 2022-23 fiscal year, (for the billing period between June 2021 and April 2022). The records do not reflect any discernable credit in 2021-22. The credits issued in 2023 (297K) appear to have been an overcorrection of 2023 data or a combination of 2022 and 2023.

Auditors:
Council was advised that the auditors were aware of the meter reading and correcting adjustments being made to the financial statements, yet there is no mention of the meter read issue or the credits during the audit process in 2022 nor in 2023.

At the conclusion of discussions **for the 2022 Audit,** the auditors commented that:
…"And to me this would point to the signs of a well-run and well-funded municipal unit. You're liquid, you're not underwater, ***you've got water utilities that are well funded, and your rates are in line with holding decent levels*** *of profit there and not huge deficits not that you're overly profitable, but you're not in a huge deficit either."…*

At the conclusion of discussions **for the 2023 Audit**, the auditors commented that:
…"The Windsor Water Utility was flagged as showing a deficit of $425,784. Not alarming but if this trend continues, a rate review and/or consolidation with the West Hants Water Utility should be considered."…

No reference was made in the auditor's comments or in the Audited Financial Statements (for **prior period adjustments**) for the credits issued which are material and which were the primary single contributor to the deficit of the Windsor Water Utility and the vastly improved performance of the Three Mile Plains Utility.

Unaccounted and Non-Revenue Water
As a final comment, the unaccounted and non-revenue water (56%-59%) within the Three Mile Plains distribution system has been significant over an extended period of time. It is noted in the NSUARB 2016 Three Mile Plains Water Utility Rate application and also in the NSUARB 2019 Consolidation of the West Hants Utilities application.

Information requests from 2016 application affirmed by West Hants that:
…" The non-revenue water for the most recent 12-month period is 59% of water purchased from the Town of Windsor Water Utility. Of this amount 53% is unaccounted for with 6% accounted for"… .

Further in response to the question that the water purchased in the rate study is the correct amount, the reply from West Hants was:
"…The rate study is based on purchasing 100,919,590 imp gallons per year. The most recent data from the Utility indicates that it purchased 98,179,242 imp gallons in the most recent 12 month period…"

Information requested during the NSUARB 2019 utility consolidation application included:
Which of the current three water utilities purchase water from Windsor and what is the annual volume of the purchase(s)?
"As noted in the response to IR-23a) the Three Mile Plains/Wentworth Water Utility purchases water from Windsor. The volume purchased in 2017/18 was 391,113 cubic meters. (which equals 86,032,832 imp gallons)".

It is noted in one of the NSUARB hearing documents that water is distributed through three master meters which are located at the following distances and locations from the treatment plant: 1.7 km (Back Road), 2.8 km, (Dill Road) and 8.2 km (Wentworth Road). It is unknown where the

"Underwood meter" fits into this configuration.

Information received last evening from the Department of Finance is appreciated. It must be identified however that the meter reading issue and the significant credit was reported to have begun in early fiscal 2021 and run through to the beginning of fiscal 2022. The wholesale water sold to Three Mile Plains during that period appears (by way of reverse math), to have been based on 88,981,275 gallons ($223,434). The year prior (fiscal 2020-2021), reflects a similar volume with sales of 87,959,371 gallons generating sales of $220,773.

In closing, this was never intended to be such a detailed process. This report only deals with the meter reading issue. Without clear information being provided to Council, it is difficult to discern and is important to know:

- when the wholesale meter became faulty,
- the magnitude of the misreads in volume of water and billable amounts related to water sold
- the magnitude of the correction in volume of water and billable correcting adjustment required,
- the period when the meter read was corrected and
- the periods for when the correcting adjustments were being applied.

A few of the reasons why this is important include:

- Proper information for budgetary planning and accounting. It appears Three Mile Plans Utility has realized its full revenue for water delivered / sold to its residents but does not have the cost of water purchased included as an expense (*but does appear to have the cost of engineering and supervision allocated as a cost component of purchased water*).
- Setting rates for new rate applications
- Financial Condition reporting of the utilities is not clear and could be described as somewhat incorrectly represented for the two utilities.
- Tracking of unaccounted and non-revenue water for control purposes
- Planning for future water needs including supply and demand.

NEXT STEPS

To Be Determined

FINANCIAL IMPLICATIONS

To be determined

ALTERNATIVES

To be determined

ATTACHMENTS:

The updated Utility Information from the department of Finance include in the agenda:

CHIEF ADMINISTRATIVE OFFICER REVIEW

The following comments have been provided by the Director of Financial Services and have been reviewed and supported by the Chief Administrative Officer.

Staff have been committed to providing additional information to support the highlighted information, brought to Council in October 2023, and as the matter of the 2022-23 Financial results of the Windsor Water Utility remains a current discussion of Council. Staff have highlighted meter

reads, comparison of bulk meters to residential meters and reminders of equipment failures that impact the utility and its financial results in 2021-22 and 2022-23.

The following information provides a recap of the events between February 2022 and October 2023.

The 2022-23 Financial Statements were presented to the audit committee, by a Department of Municipal Affairs and Housing registered auditing firm. The approved Financial Statements are also provided to the Utility and Review Board for review and records.

To provide some added insight on the auditor's process and the conclusions he provided to the financial statements I provide the following comments about his process in response to Councilor Ivey's remarks about materiality and independence.

Auditors are required to test their own independence prior to starting an audit and provide an independent auditor's report with the statements. The auditors provided an unqualified opinion of West Hants' financial statements for the years 2021-22 and 2022-23. They stated they felt that there were no errors or omissions in the statements that would cause a reasonable person's opinion to change. Auditors do quantify materiality, for testing purposes. However, they state the concept is more of a qualitative factor, considering what level of misstatement would change someone's opinion of the financial statements. Meaning when transactions are over the quantitative value set, then the qualitative factors are reviewed. This would only trigger notification through the audit process if incorrectly stated in the statements. Usually accompanied by management being unwilling to correct the transaction.

As part of the 2022-23 annual budget process, staff identified a concern that required further review in February 2022, that would impact the revenue and expenses for 2021-22 for the water utilities. When three quarters of water billing through one of the bulk master meters at 5 Back Rd (from Windsor Water Utility to supply the Three Mile Plain Bulk Master Meter through the West Hants Water Utility), was over 38 million gallons each. This matter has more recently been noted in the supplemental material provided to Council in January 2024, regarding the entirety of consumption through the Three Mile Plains route was 32.3 million gallons annually. It was determined in April 2022, there was a decimal error in the meter read process. A corresponding credit was issued in April 2022, for previous billing periods. The March 2022 bill from Windsor Water to West Hants Water for the Three Mile Plains route, was voided off the account in April 2022 and reissued with the correct read.

In response to Councillor Ivey's comments relating to 2022-23 Budget and why the change in revenue for the Windsor Water Utility for the Three Mile Plains route wasn't adjusted to reflect the changes associated with the change in consumption due to the correction to the meter reading process, before its approval, the following comments are provided. At that time of 2022-23 budget preparation and deliberation, it was unclear how the total impact of correcting the reads would have on the revenue for the Windsor Water Utility for the 2022-23 year. This is due to first quarter billing not being completed until July 2022, and because the history on the account couldn't be utilized to provide an accurate forecast for revenue. The 2022-23 Utility Budgets were approved in June 2022, using historic revenue figures from Three Mile Plains. Further in June 2022, the meter was also replaced. In August 2022, an accrual entry was completed to move the credit for previous periods into fiscal 2021-22. The credit and corresponding accrual in 2021-22 were reviewed by the auditors with Manager Gibson, during the 2021-22 audit process, performed in the summer and fall of 2022. In additions this matter was highlighted and reviewed through the Mentorship process, in Winter 2023, as part of the auditor's recommendation, to further confirm that the accrual was recorded correctly by Manager Gibson.

As a reminder, the credit process is a normal operational procedure with the same logic applied to

every customer account no matter if the account is held, commercially, residentially, or municipally. Accruals are also a part of normal operational procedures. Meter issues, overbilling and underbilling can occur, and the Rules and Regulations from the Utility and Review Board outline how they must be handled. Staff are confident that the adjustments were recorded correctly and as per financial requirements.

Though billing adjustments are not brought directly to Council, the newly established regular financial updates provided to Council, will provide on an on-going basis information related to the Utilities, in alignment with current practices for general operating.

However even though these adjustments are not brought to Council, staff recognize that once the lower revenue was able to be confirmed, in the winter of 2022-23, this is when that matter could have been brought more directly to Council's attention.

With regards to the request for an independent audit firm to conduct a review of the Windsor Water and West Hants Water 2022-23 Financials, staff are confident that the entries have been recorded properly, and an additional audit process would provide the same opinion consistent with the previous audit performed by Kent & Duffett.

Pending Council's direction staff will support their wishes to provide added clarity and confirmation to Council but note the additional audit process will place unscheduled demands on staff and normal operations. If Council proceeds with the second audit, the cost of the audit is estimated to add between $8-$15 thousand to the utility budgets and may require approximately 8-12 weeks of ongoing staff support in order to complete, once an auditing firm registered through Department of Municipal Affairs and Housing is found through the procurement process.

Report Prepared by: **Jim Ivey, Councillor Windsor South, District 11**

Report Reviewed by: _____

(Name and Title)

Report Approved by: _____