

# Town of Radisson

## Forensic and Investigative Report

Private & Confidential

**PREPARED FOR:** Town of Radisson  
PO Box 69  
Radisson, Saskatchewan, S0K3L0

**PREPARED BY:** MNP LLP  
1500, 640 – 5th Avenue SW  
Calgary, AB T2P 3G4

**DATE:** June 10, 2019

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## 1.0 TERMS OF REFERENCE

- 1.1 MNP LLP ("MNP", "we", "our" and/or "us") was retained by the Town of Radisson ("the Town" or "Radisson") on March 25, 2019 to provide forensic accounting services in accordance with a response to a petition brought forward by the community. Section 140.1 (1) of the *Municipalities Act of Saskatchewan* (2006) sets out the petition requirements:

Section 140.1 of the Act sets out that a petition may be made for a "financial audit" or a "management audit". A financial audit means an audit to identify:

- i) Any instance of fraud, theft or other misappropriation of funds;
- ii) Any improper or unauthorized transactions; or,
- iii) Any non-compliance with this Act, any other Act or any bylaw of the municipality.

The Council, on determining that the petition was sufficient, shall pass a resolution to engage the services of an auditor, cause the financial audit to be conducted within 180 days after the receipt by the Council of the petition and fully cooperate with the audit.

If the auditor's report identifies instances mentioned in clause 1(a), the auditor shall forward the report to the Deputy Minister of Justice for further investigation, and the municipality must refrain from providing public notice required. (Section 140.1(12))

- 1.2 We understand that the Town of Radisson has discussed this matter with the Ministry of Government Relations who have indicated that the Town has until June 2, 2019 to cause a financial audit to be conducted.
- 1.3 We understand that our Report is a response to the above referenced petition for a financial audit. The purpose of this Report is to provide independent analysis and feedback to the Town of Radisson in order that they may meet their obligations under the *Municipalities Act of Saskatchewan* ("*Municipalities Act*" or "*MAS*").

## 2.0 BACKGROUND

### Introduction

- 2.1 MNP was engaged by the Town of Radisson to perform an independent investigative and forensic review of concerns raised by a community group. We understand that the Town of Radisson received a petition on November 28, 2018. The petition did not set out the details of the concerns raised by the petitioners.
- 2.2 We understand that the Town of Radisson requested and received a clarifying document from the petitioners in February 2019 which indicated the following:

#### **Suggestions to Mayor & Town Council as to what to assess for audit**

1. you need not audit many consecutive years. Only a few, specific, non-consecutive years where there were problems. This will save a lot of time and money.
2. look at only the big numbers over 15 years to see where things went wrong & follow that. There are only a few big numbers in any given year to address.
3. the final decision on what to audit and how much to spend lies with council....do what seems affordable & reasonable for the citizens of the town who signed the petition to audit....focusing on the years with big numbers in question.
4. the citizens who signed the petition to audit want what is wise and reasonable to determine why the Town of Radisson is in such huge financial trouble.

#### **Problem Areas that Mayor & council should assess on their own before an audit (according to the petition wording). Look into all aspects of these transactions.**

1. sale of 17 residential lots for 10.00 each which the Town then serviced.....all details
2. water treatment plant expansion.....all details
3. purchase of 30 acre property for corn maze.....all details
4. recycling plant.....all details
5. involvement in 16-43.....all details
6. water & sewer contracts let by Town in last 8 years.....all details
7. culvert purchases during flood.....all details
8. Education tax not paid to Province in last 3 years.....all details
9. All property sold or purchased by Town.....all details
10. any non-disclosure agreements that town is involved in.....all details
11. any contracts or repairs deals done by town over 10,000.00
12. sale of old town grader & backhoe.....all details

**This is not an all inclusive list of transactions that should be looked at by Mayor & council. As stated above, any large transactions need to be looked at. Council & admin are the persons with access to this information and are responsible to guard the best interests of the Town.**

- 2.3 MNP undertook to meet with the petitioner's representatives to get a better understanding of the issues. On April 1, 2019, MNP met with Brad Penno and Grant Schoenroth, who were the key persons involved with obtaining the signatures required to meet the threshold of a petition.
- 2.4 Mr. Penno and Mr. Schoenroth provided MNP with details of the concerns and indicated that the following issues should be reviewed by the Town without causing it further financial distress;
- a) There was a significant amount of education property tax, \$265,000, which had not been paid to the Ministry of Education;
  - b) Garbage collection had changed to a company known as "16 to 43" which did not appear to be financially responsible;
  - c) The 2017 financial audit had not been completed;
  - d) There was a large amount of uncollected taxes; \$300,000 before 2018 and \$127,000 in 2018 for a total of \$427,000 including another \$60,000 of uncollected water and sewer bills;
  - e) There was a breach of the fiduciary duties of the Council;
  - f) There was a settlement for issues with the water treatment plant, but they are unaware of the details of that settlement;
  - g) Large amounts of grants have been lost by the Council from the federal and provincial governments including a \$300,000 infrastructure grant and a \$25,000 grant which was misallocated. The Council and staff have not shown proper due diligence in obtaining grants and using the funds properly:
- 2.5 On April 11, 2019 MNP provided a workplan of the issues as provided to MNP by the petitioners that they felt should be investigated independently:
- a) Quantification of uncollected taxes from April 1, 2014 to March 31, 2019<sup>1</sup>;
  - b) Quantification of education remittances from April 1, 2016 to March 31, 2019;
  - c) Review of the 16 to 43 recycling depot contracts;
  - d) Review of cheques in December 2018 and January 2019;
  - e) Review of water sewer contracts;
  - f) Three miscellaneous issues:

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<sup>1</sup> It should be noted that MNP recommended the end of the fiscal year in order to compare previous years and to obtain all information in the case of timing differences for remittance of taxes.

- a. \$300,00 Federal grant that was not applied for
- b. \$25,000 grant which was misallocated; and,
- c. Water treatment plant settlement agreement.

The proposed workplan is attached at Appendix A

2.6 On April 16, 2019, the Town of Radisson advised MNP that we would undertake the following review:

- a) Quantification of uncollected taxes from April 1, 2014 to November 28, 2018<sup>2</sup>;
- b) Quantification of education remittances from April 1, 2016 to November 28, 2019;
- c) Review of the 16 to 43 recycling depot contracts;
- d) Review of water sewer contracts from a review of minutes only – further investigation depending on findings;
- e) Three miscellaneous issues:
  - a. \$300,000 Federal grant that was not applied for;
  - b. \$25,000 grant that was misallocated; and,
  - c. Water treatment plant settlement agreement.

2.7 It is noted that Council removed the review of cheques in December 2018 and January 2019 as “outside the date range of April 1, 2014 to November 28, 2018.

2.8 The approved workplan signed by the Town of Radisson is attached at Appendix B.

#### Council members

2.9 MNP has gleaned the following persons were on Council during the scope of our review:

**Table 1 – Historical Council Members**

Election years	Council members
2014	Darren Harris Marion Fehr – Stead Michelle Nelson Gerald Wiebe Bella Armitstead Leona Bennett

<sup>2</sup> This is the date of the petition served to the Town of Radisson

Election years	Council members
	Dave Summers – Mayor
2015	Darren Harris Marion Fehr – Stead Bella Armitstead Michelle Nelson (To February 12, 2015) Gerald Wiebe (To April 7, 2015) Leona Bennett (To November 16, 2015) Marlene Wenner (Started April 7, 2015) Ken Grainger (Started June 2, 2015)  Dave Summers – Mayor (Started July 17, 2013)
2016 October 27, 2016 General Election	Darren Harris Marion Fehr – Stead Ken Grainger (To July 15, 2016) Bella Armitstead (To October 27, 2016) Marlene Wenner (To October 27, 2016) Michelle Dubyk (Started October 27, 2016) Matthew Wenner (Started October 27, 2016) Kirk Maxwell (Started October 27, 2016) Suren Chetty (Started October 27, 2016)  Dave Summers – Mayor
2017	Darren Harris Marion Fehr – Stead Michelle Dubyk Matthew Wenner (To October 3, 2017) Kirk Maxwell Suren Chetty  Dave Summers – Mayor
2018	Darren Harris

Election years	Council members
	Marion Fehr – Stead Michelle Dubyk Brad Penno Kirk Maxwell Suren Chetty  Dave Summers – Mayor (To April 12, 2018) Leona Bennett – Mayor (Started June 27, 2018)
Present	Darren Harris Marion Fehr – Stead Michelle Dubyk Kirk Maxwell Larry Raynard Suren Chetty  Leona Bennett – Mayor

### Town Administrators

- 2.10 MNP was advised that the Town has not had a full-time administrator since Darrin Beaudoin resigned in September 2017.
- 2.11 We were advised that following persons acted as administrators between this time and the present administrator, Brenda Lockhart:
- a) Pat Peacock September 19, 2017 to May 24, 2018;
  - b) Muriel Rosser-Swift July 20, 2018 to August 10, 2018;
  - c) Tracey Johnstone September 4, 2018 to an unknown date; and
  - d) Brenda Lockhart February 2019 to present.

We were advised that the Town engaged John Sawyshyn as the part-time administrator until the appointment of Brenda Lockhart. We understand that Mr. Sawyshyn only worked a day a week to assist the transition to a full-time administrator.

2.12 MNP has relied upon the following documents in preparing our review of this matter:

- Meeting meetings for the years 2014 through 2018
- Discussions with Brenda Lockhart (current administrator)
- Interviews with Darrin Beaudoin (former administrator) and Dave Summers (former mayor)
- Site visit with Darren Harris (Councilor), Marion Fehr-Stead (Councilor), Leona Bennett (current mayor), Brenda Lockhart (current administrator)
- Town of Radisson Chart of Accounts – Condensed
- Report for Town of Radisson Council and Auditor Regarding Preparation of the 2017 Financial Statements Completed by Muriel Rosser-Swift, dated December 19, 2017
- List of Accounts for Approval – Detailed for the years 2014, 2015, 2016, 2017, and 2018

**Property Taxes receivable**

- Tax roll binders for the years 2015 through 2018;
- Unpaid Tax spreadsheets for December 2014 through 2018;
- Arrears by Year as of November 30, 2018;
- General ledgers for the years 2014 through 2017 and for the 11-month period January 1, 2018 through November 30, 2018;
- Accounts payable and receivable 2017

**16 to 43 Waste Management**

- Invoice History for the period January 1, 2014 to May 15, 2019 for 16 to 43 Waste Management Corp
- Invoice History for the period January 1, 2014 to May 15, 2019 for LORAAS Environmental
- 16 to 43 ISC report
- 16 to 43 2017 audited financial statements
- Innovation CU Loan contract (Bylaw 4-2016) for guarantee of \$334,437
- 17/08/2015 Letter from Town of Hafford – initial funding request of \$5,000 from each organization
- 29/01/2016 Letter from Town to 16 to 43 stating resolution passed at January 5, 2016 Council Meeting authorizing the joining of and \$30,000 in funding towards 16 to 43
- 29/01/2016 Letter from Town to 16 to 43 confirm Town guaranteeing \$334,437
- Bylaw 7-2018 - \$67,500 for the purpose of guaranteeing the repayment of its proportionate share of 16 to 43 \$250,000 loan
- *The Municipalities Act*

**Education Remittances**

- Annual Education Property Tax Return – Form H for the year 2014 through 2018
- N.D - Letter from government - Notice to file February 1 – 28, 2018 monthly education property tax return. Document is not dated
- 29/05/2017 - Email from Ministry to the Town indicating concerns over the \$141,899.91 collected but unremitted balance. Darrin responded June 7, 2017 with an apology (in 2017 binder)
- 27/07/17 - Letter from Cogent– “As at Dec 31, 2016 the balance of collected but unremitted school tax to the school division is \$195,383. School tax is to be remitted by the 10th day of the month following the month the tax was collected as in accordance with paragraph 291 (1) (b) of *the Education Act*
- 20/10/2017 - Email from Ministry (Follow up from above email) regarding unremitted amounts which have increased to \$179,814.33. Large penalties and fines may be enforced on the town (in 2017 binder)
- 20/02/2018 Letter from Ministry indicating issues identified including discrepancies between the 2016 Due from School Division December 31 and 2017 return Due from School Division January 1
- *The Education Property Tax Act*

**Gas Tax**

- GL account history for the period January 1, 2014 through December 31, 2017 for “Provincial Government/Agencies (Gas Tax);
- Email correspondence with Garth Kessler, Program & Policy Advisor, Gas Tax Program, Ministry of Government relations;

**Water Treatment Settlement**

- Invoice History for the period January 1, 2014 to May 15, 2019 for Pinter and Associates
- Email correspondence with Jennifer Getz, Senior Program & Policy Advisor, Municipal Infrastructure and Finance, Ministry of Government Relations

**Conflict of Interest**

- Invoice History for the period January 1, 2014 to May 15, 2019 for M.R.H. Excavating Ltd.

**Utilities**

- Monthly Unpaid Utilities spreadsheets for January through December 2017 and January through November 2018

### Financial Statements

- 2016 Audited financial statements
- 2016 Management Letter
- 2017 Capital Assets Listing by Object and by Function
- 2017 drafted/incomplete financial statements

2.13 The following persons were interviewed;

**Table 2 – Persons Interviewed**

Interviewee	Position	Date of Interview
Grant Schoenroth	Petitioner	2019-04-02
Brad Penno	Petitioner	2019-04-02
Brenda Lockhart	Town Administrator	2019-04-02
Darren Harris	Councillor	2019-04-02
Leona Bennet	Mayor	2019-04-02
Marion Fehr-Stead	Councillor	2019-04-02
Darrin Beaudoin	Former administrator	2019-05-17
David Summers	Former mayor	2019-05-17
Gerald Pohl	Cogent LLP – auditor	2019-04-08

### Scope Limitations

2.14 We were engaged to do conduct an investigation of concerns raised in a petition. The following factors are to be considered when reading this report:

- a) MNP attempted to contact the former administrator Pat Peacock on two occasions and our calls were not returned;
- b) MNP was not provide the Education Property Tax H2 forms for the 2018 year;
- c) MNP was advised that at least two ratepayers paid their taxes in cash monies which were stolen from the Town. We were not provided the details for this and are not aware whether the RCMP were notified of these events. We understand that the ratepayer's taxes were abated by the Council; and,
- d) MNP was provided with numerous names of persons to interview regarding these issues. We have used our professional experience, discretion and considered the scope of this engagement to determine the appropriate persons to be interviewed.

- 2.15 The reader is cautioned that selecting portions of the analysis contained in this Report, without first considering all the factors and analysis could result in the misinterpretation of the comments and conclusion. We reserve the right to review all findings included or referred to in our Report and, if we consider it necessary, to revise our findings in light of any new information which becomes known to us after the date of the report.
- 2.16 This Report was prepared in conformity with the Standard Practices for Investigative and Forensic Accounting Engagements of CPA Canada, in doing so the author acted independently and objectively.

## 3.0 APPLICABLE LEGISLATION

- 3.1 MNP reviewed the following legislation in this engagement. Any comments related to potential non-compliance with these or other pieces of legislation are not legal advice or a legal opinion and should not be read as such. When comparing documented actions against legislative requirements, we have applied a “reasonable person” test to assess compliance.

### **The Municipalities Act of Saskatchewan (2006)**

- 3.2 *The Municipalities Act of Saskatchewan (2006)* provides the basic legislative framework for the good governance of municipalities. Section 4(2) of the Act specifies that *municipalities have the following purposes*:
- To provide good government;
  - To provide services, facilities and other things that, in the opinion of Council, are necessary or desirable for all or a part of the municipality;
  - To develop and maintain a safe and viable community;
  - To foster economic, social and environmental well-being; and
  - To provide wise stewardship of public assets.<sup>3</sup>
- 3.3 Council members must know and comply with federal and provincial legislation, laws and codes. Council's responsibility is to make decisions about municipal services, establish policies and provide direction for the operation of the municipality in a manner which encourages participation in the governance process. Councils have numerous powers, duties and responsibilities.
- 3.4 Council members have several responsibilities as defined by the *Act*. They include but are not limited to:
- a) Section 92(f) Councilors have the [duty] to maintain the financial integrity of the municipality;
  - b) *Section 142* sets out the duties of Councilors who have a potential conflict of interest;
  - c) *Section 154.1* sets out when a portion of a levy of taxes is collected and remains unpaid to another taxing authority, the municipality would be liable for interest and the amount payable;
  - d) *Section 159* sets out that a municipality may only make an expenditure that is included in its budget, an emergency or legally required to pay;

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<sup>3</sup> <https://www.saskatchewan.ca/government/government-structure/local-federal-and-other-governments/your-local-government/about-the-saskatchewan-municipal-system>

- e) *Section 162* sets out the limitations of borrowing of monies that is approved by the Saskatchewan Municipal Board and does not exceed its debt limit;
  - f) *Section 181(1)* sets out the limitations of a municipality to guarantee loans between a lender and a non-profit organization;
  - g) *Section 185* sets out that a municipality shall prepare financial statements of the municipality on or before June 15<sup>th</sup> of the following year. The municipality shall publicize its financial statements by September 1 of the year it is prepared;
  - h) *Section 186* sets out that the municipality shall submit its financial statements and auditors report on the financial statements to the minister by July 1 of the following year;
  - i) *Section 191* sets out that no later than August 1 in each year, “the auditor shall send, by prepaid mail, to every person who appears by the tax roll to be indebted to the municipality, a written notice of all indebtedness”, including taxes that contains the amount of indebtedness and every tax lien;
  - j) *Section 265, 266 and 267* set out that taxes are to be levied on all property, that tax notices shall be sent by September 1 of the year the taxes are imposed, and the process for issuing tax notices; and,
  - k) *Section 280* set out that the municipality shall impose penalties for unpaid taxes.
- 3.5 *The Municipalities Act of Saskatchewan* and the *Cities Act of Saskatchewan* provide the basic legislative framework for all Rural Municipalities in Saskatchewan. *The Municipalities Act* legislates that the elected Council of a rural municipality can hire staff to manage daily administration. Sections 110 and 111 of *the Municipalities Act* set out the role and responsibilities of an administrator for a rural municipality. Specifically, section 111 indicates;

- (2) The administrator shall ensure that:
- (a) all minutes of council meetings are recorded;
  - (b) the names of the members of council present at council meetings are recorded;
  - (c) the minutes of each council meeting are given to council for approval at the next regular council meeting;
  - (d) the corporate seal of the municipality, bylaws and minutes of council meetings and all other records and documents, funds and securities of the municipality are kept safe;
  - (e) the council is advised of its legislative responsibilities pursuant to this or any other Act;
  - (f) the minister is sent any statements, reports or other information with regard to the municipality that may be required by the minister pursuant to this or any other Act;
  - (g) the official correspondence of the council is carried out in accordance with council's directions;
  - (h) an indexed register containing certified copies of all bylaws of the municipality is maintained;
  - (i) cash collections that have accumulated to the amount determined by the council that is equal to or less than the amount for which the administrator is bonded or insured, but in any case not less than once a month nor more than once each day, are deposited in the name of the municipality in a bank or credit union designated by the council, of which the administrator may not be an employee;
  - (j) the funds of the municipality are disbursed only in the manner and to those persons that are directed by law or by the bylaws or resolutions of the council;
  - (k) a complete and accurate account of assets and liabilities and all transactions affecting the financial position of the municipality is maintained in accordance with generally accepted accounting principles;
  - (l) the financial statements and information that the council may, by resolution, request are submitted to the council;
  - (m) on or before June 15 in each year, a financial statement is completed as required by section 185;
  - (n) all revenues collected from an additional service area pursuant to subsection 283(2.01) are allocated to an additional service area account;
  - (o) moneys paid on behalf of an additional service area are paid from an additional service area account for all expenditures authorized by council; and
  - (p) an annual financial statement for the revenues and expenditures of an additional service area is presented to council.

### **Education Property Tax Act (2018)**

- 3.6 Under the Act, municipalities levy and collect education property taxes, based on mill rates set by the Lieutenant Governor in Council. The education property taxes that are collected by a municipality are then payable to the Government of Saskatchewan and deposited into the General Revenue Fund. The relevant sections of the Act for this Review are:

#### ***Payment of school taxes***

***10(1) The Council of every municipality shall:***

- (a) keep in the tax rolls and records of the municipality a separate record of the school taxes levied, collected and paid on account of each taxable assessment; and***
- (b) pay all proceeds of the school tax received to the Government of Saskatchewan not later than the 10th day of the month following their collection or in accordance with any other arrangement that is mutually acceptable to the municipality and the Government of Saskatchewan.***

#### ***Recovery of taxes***

***12(1) All school taxes that were levied, collected and due by a municipality before the coming into force of this Act, that remain unpaid to the Government of Saskatchewan and that are not paid to the Government of Saskatchewan before January 1, 2018, together with interest at the prescribed rate and calculated in the prescribed manner, are a debt due by the municipality to the Government of Saskatchewan.***

***(2) All separate school division taxes that were levied, collected and due by a municipality before the coming into force of this Act, that remain unpaid to a separate board and that are not paid to the separate board before January 1, 2018, together with interest at the prescribed rate and calculated in the prescribed manner, are a debt due by the municipality to the separate board and may be recovered by the separate board in any manner authorized by law.***

***(3) All taxes for educational purposes that were levied, collected and due by a municipality that remain unpaid to a school division, whether levied, collected and due before, on or after the coming into force of this section, and that are not paid to the school division before January 1, 2018, are to be paid to the Government of Saskatchewan and are, together with interest at the prescribed rate and calculated in the prescribed manner, a debt due by the municipality to the Government of Saskatchewan.***

**Actions to collect taxes**

**16(1)** *The Government of Saskatchewan may enforce the collection and payment of school taxes, penalties and interest in accordance with:*

- (a) this Act;*
- (b) the regulations; and*
- (c) sections 13 to 23 and Part III of The Revenue and Financial Services Act and the regulations made pursuant to that Act.*

*(2) All amounts collected pursuant to this Act and sections 13 to 23 and Part III of The Revenue and Financial Services Act with respect to school taxes must be deposited in the general revenue fund*

**Payment to the Government of Saskatchewan of moneys otherwise payable to a municipality**

**17(1)** *The minister may act pursuant to subsection*

*(2) if the minister is satisfied that a municipality:*

- (a) has failed to levy or collect the school taxes as required by this Act;*
- (b) has failed to pay to the Government of Saskatchewan the school taxes levied or collected as required by this Act; or*
- (c) has failed to provide the education property tax returns as required by this Act.*

*(2) In any circumstance mentioned in subsection (1) and notwithstanding any other Act or law, the minister may:*

- (a) retain, from moneys otherwise due or payable to the municipality by the minister pursuant to an Act that the minister is responsible to administer, an amount equal to the amount of school taxes that are required to be levied, collected or paid, together with interest at the prescribed rate and calculated in the prescribed manner; and*
- (b) refuse to pay, suspend or adjust moneys otherwise due or payable to the municipality by the minister pursuant to an Act that the minister is responsible to administer.*

*(3) At least 60 days before taking action pursuant to this section, the minister shall:*

- (a) notify the municipality in writing that the minister intends to act pursuant to this section; and*
- (b) in the written notice, give reasons for the intended action*

*(4) The minister shall give the municipality an opportunity to make written representations within 30 days after receiving the written notice pursuant to subsection (3) respecting why the minister should not take the intended action.*

*(5) After considering any written representations submitted by the municipality, the minister may decide:*

- (a) to take the intended action; or*
- (b) not to take the intended action.*

*(6) The minister shall notify the municipality of the minister's decision, with reasons, pursuant to subsection (5).*

*(7) Notwithstanding subsection (2), the minister may establish policies and procedures for a municipality to address the matters mentioned in subsection (1) to the satisfaction of the minister.*

*(8) Treasury Board may make any orders and issue any directives with respect to the exercise of the minister's powers pursuant to this section.*

#### **Interim/Annual Education Property Tax Return – Instructions for Completion**

- Interim report for Period January 1 – August 31
  - Due September 15 of each year
- Annual return from January 1 to December 31
  - Due by January 15 of each year
  - Remittances
    - Remittances are to be done on a monthly basis. Remittances to the Ministry are to equal the education levies collected on property taxes in the same month
    - Remittances are due the 10<sup>th</sup> day of the following month

#### **Tax Enforcement Act (2018)**

- 3.7 *The Tax Enforcement Act is legislation respecting the collection of arrears of taxes by municipal governments. An arrear of taxes means “taxes unpaid and outstanding after the expiry of the year in which they were imposed”.*
- 3.8 The Act sets out the procedures which must be taken to register tax liens and collect taxes from taxpayers in arrears.

### **Criminal Code of Canada**

- 3.9 The Criminal Code of Canada<sup>4</sup> sets out at section 122, “every official who, in connection with the duties of his office, commits fraud or a breach of trust is guilty of an indictable offence and liable to imprisonment for a term not exceeding five years, whether or not the fraud or breach of trust would be an offence if it were committed in relation to a private person”.
- 3.10 That “breach of trust” is generally defined as acting with the intention to use his or her public office for a purpose other than the public good, for example, for a dishonest, partial, corrupt, or oppressive purpose.

### **Definition of Theft and Fraud**

- 3.11 A definition of theft and fraud may help provide context to the observations and recommendations in this Report. Theft is often described as “unlawfully appropriating property with intent to deprive the owner of that property”. The Criminal Code of Canada defines fraud as “[any] one commits theft who fraudulently and without colour of right takes, or fraudulently and without colour of right converts to his use or to the use of another person, anything whether animate or inanimate, with intent to deprive...” The Criminal Code distinguishes theft as “fraudulently taking or converting for their own use, another’s property. The use of fraudulent means is a common characteristic of theft.”
- 3.12 Canadian courts have consistently defined fraud as “dishonest deprivation”. In this context, dishonesty involves the deliberate misrepresentation or omission of a material fact, intended to cause the victim (person or organization) to take an action they would not have, had the truth been disclosed. Deprivation is interpreted so as to include a risk of deprivation, meaning that the victim need not suffer a specific quantifiable loss for fraud to have occurred. Fraud may involve the misappropriation of funds, assets, information or intellectual property. Managing the Business Risk of Fraud; A Practical Guide, authored by leading professional bodies<sup>5</sup> in Canada and the United States, provides the definition;

*Fraud is any intentional act or omission designated to deceive other, resulting in the victim suffering a loss and/or the perpetrator achieving a gain.*

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<sup>4</sup> <http://laws-lois.justice.gc.ca/eng/acts/C-46/FullText.html>

<sup>5</sup> The International Institute of Internal Auditors (IIA), the American Institute of Certified Public Accountants (AICPA), the Canadian Institute of Chartered Accountants (CICA) and the International Association of Certified Fraud Examiners (ACFE)

## 4.0 SUMMARY OF FINDINGS

- 4.1 MNP has not found that any fraud, theft or misappropriation of funds have occurred at the Town of Radisson.
- 4.2 MNP has found that there has been ineffective administration throughout period of review, creating significant risk for the Town. The Town of Radisson Councils have not fulfilled its fiduciary responsibility to the effective management and guardianship of the Town's finances.
- 4.3 The Town of Radisson's administrators have not abided by their responsibilities under the *Municipalities Act*.
- 4.4 The Town of Radisson Councils were aware of the financial issues, including the insufficient tax collection and improper use of the Education Property taxes but did not take appropriate steps to address the problem.
- 4.5 The Town of Radisson's property taxes were not collected effectively or sufficiently, and arrears were not pursued. Total arrears owed to the Town as of November 30, 2018 total \$298,889.25.
- 4.6 The Town of Radisson Council did not remit the Education taxes collected paid to the Province as required by law. Current amount owing to the province as of December 31, 2018 is \$390,652.96 based on a review of the Annual Education Tax Remittance Forms.
- 4.7 The Town of Radisson entered into a contract for waste and recycling with "16 to 43" which has resulted in the Town signing loan guarantees for \$410,648. This guarantee may become a significant liability to the Town. In 2018, the most recent year, there were \$121,678.89 in expense incurred for waste services. In 2017, the most recent full year of services provided by LORAAS was \$62,368.27.
- 4.8 Marion Fehr-Stead declared her pecuniary interest and conflict of interest with the water sewer contract. Ms. Fehr-Stead recused herself from negotiations and discussions as per the *Municipalities Act*.
- 4.9 The Town of Radisson has had significant financial stress for years which predate the review conducted by MNP. We were advised anecdotally that the Town was the victim of flooding, overruns at the Water Treatment Centre and historical bad financial management. The Town has not taken action to remediate the financial position of the Town.

## 5.0 DETAILED FINDINGS

- 5.1 MNP noted that a substantial amount of the financial issues facing the Town are a result of the lack of appropriate tax collection by the Council and administrators. This lack of tax collection has led to using education property taxes for Town operations which has further weakened their financial position. Ineffective management and lack of financial diligence has led to the loss of grants and potential issues in the future.

### Property Tax Collection

- 5.2 Based on our discussions with the current administrator, the process for levying and collecting property taxes is as follows.
- 5.3 Municipal mill rates are determined by the Town's council every spring based on the Town's operating budget, whereas education mill rates are determined by the Government of Saskatchewan ("Government") and communicated via letter by April 30<sup>th</sup> of every year. Pursuant to *the Municipalities Act*, the assessment roll, as prepared by the administrator, is required for all assessed property no later than May 1. The Administrator enters in the mill rates and the accounting software automatically applies the rates to each property based on their assessed values as determined by Saskatchewan Assessment Management Agency ("SAMA"). A receivable for municipal taxes and property tax revenue is recorded and a receivable and a payable is set up for the education taxes. The levies are applied to the following accounts:
- Education levy - "School Property Taxes Receivable" account number 110-210-100
  - Municipal levy - "Municipal – tax receivable – current" account number 110-200-100
- 5.4 The property tax assessment notices are printed and what is required to be sent within 15 days after the assessment roll is completed. Property owners have until December 31 of the corresponding year before the receivable gets moved into arrears.

### Collection

- 5.5 When payment is received, the municipal portion of property taxes is applied against "School Property Taxes Receivable" account number 110-210-100 and education taxes collected is applied against "Municipal – tax receivable – current" account number 110-200-100.

## Overdue Accounts

- 5.6 Every December 31, taxes owing amounts move from Current to Arrears and the land shall be liable to be dealt with under *the Tax Enforcement Act*. The *Tax Enforcement Act* section 3(1) states that a list of land in arrears, as prepared by the administrator, is required by November 15 of each year to be submitted to the head of council. The list typically excludes balances with less than half of land's most recent taxes owing. Council must make a motion to start enforcement.
- 5.7 Based on our discussions with the current administrator, the list typically excludes balances with less than half of the land's most recent taxes owing. Once the list has been presented to Council, a motion must be made to start enforcement. When determining which properties to acquire title on, some subjectivity is involved as the history of the property owner is considered, along with the amount outstanding and the age of the receivable.
- 5.8 Following a motion, and pursuant to *the Tax Enforcement Act* section 4(1) the list should be published in a newspaper 60 days preceding date on which interest is submitted to the registrar. Advertising is to include requirement for payment of 60 days from date of advertisement or proceed to register lien in the Land Titles Registry.

## Findings

- 5.9 The following is a summary of the date Council approved mill rates per the meeting minutes, the date the levy was recorded to the general ledger, and the date the tax roll was printed per the tax roll binders.

**Table 3 – Approval of Mill Rates**

Year	Approval of Mill Rates	Recorded in GL	Printing of Tax Roll
2014	20-May-14	26-Jun-14	N/A
2015	20-May-15	23-Jul-15	30-Jul-15
2016	3-May-16	20-Jun-16	27-Jun-16
2017	16-May-17	25-Jul-17	28-Jul-17
2018	6-Nov-18	13-Nov-18	15-Nov-18

- 5.10 In the years 2014 through 2017, the Town appears to have approved mill rates, levied taxes, and issued taxes to property owners in the expected time frame. In 2018 however, the Town was late on approving mill rates, levying taxes, and issuing taxes to property owners. MNP believes that this was a result of a lack of a full-time administrator at the Town. With the historically slow collections, printing the tax roll within 50 days of it becoming due, will likely result in a significant amount of arrears for fiscal 2018.

- 5.11 A review of the unpaid taxes by year shows total receivables relating to property taxes growing from \$164,144.44 in 2014 to \$400,055.24 in 2018 (Appendix C). Of the amount owing, 98 properties had either current balances or arrears outstanding to the Town in 2014 and that increased to 212 properties in December 31, 2018. The collection rate is moving in a negative direction, going from current year collections of approximately 81% in 2014 and down to approximately 71% in 2018.
- 5.12 The following table demonstrates the amount of tax arrears and the incremental change from year to year. We make the following observations from this table:
- The collection rates vary from year to year and noticeably drops in 2017 and 2018;
  - The amount of accounts receivable from tax arrears increases each year; and,
  - The percentage change of accounts receivable demonstrates that in 2018 efforts were made by the administration to reduce the amount of outstanding taxes although overall collection rates were lower than the year previously.

**Table 4 – Accounts Receivable from Tax Arrears**

	Levy	Current AR	Arrears AR	Total AR	AR % Change	Collection Rate
2014	398,606.92	74,894.07	89,250.37	164,144.44		81.2%
2015	401,214.36	67,497.94	108,833.54	176,331.48	7.4%	83.2%
2016	407,218.07	78,118.02	158,004.26	236,122.28	33.9%	80.8%
2017	435,828.51	92,481.99	238,048.17	330,530.16	40.0%	78.8%
2018	464,952.28	135,479.06	264,576.18	400,055.24	21.0% <sup>6</sup>	70.9%
				<b>Average:</b>	<b>25.6%</b>	<b>79.0%</b>

- 5.13 The above amounts include municipal and school taxes, as well as grants-in-lieu. Further, utilities which have been moved to property taxes due to aging are also included in the above table.
- 5.14 Typically accounts receivable would be declining as collection rates increase. In 2015, however the collection rate includes collections of prior year levies.
- 5.15 From a review of the meeting minutes, tax arrears listings were prepared by the administrator and brought to Council at the following meetings:
- July 8, 2014 (no listing included in minutes)

<sup>6</sup> Although the accounts receivable declined to 21% change, the collection rate also declined signalling that ratepayers were paying their outstanding receivable from past years but the Town was not collecting at a high rate.

- July 7, 2015 (balance of \$77,569.29)
- July 5, 2016 (balance of \$160,876.79)
- June 20, 2017 (listing not totaled)
- 2018 – N/A

The Councils would have been aware of the outstanding tax arrears in these years. The *Municipalities Act* requires the Council to be made aware of tax liabilities.

- 5.16 Municipalities are not required to take legal action on properties with outstanding arrears, rather they have the option to do so pursuant to the *Tax Enforcement Act*. The Town only acted on overdue balances in 2014 and 2015. In September 2014 and August 2015, the Council passed several motions to serve 30-day and 6-month notices for acquiring title on 14 properties with outstanding arrears (Appendix D).
- 5.17 For these properties, the accumulated taxes owing is \$117,157.04 as per the November 30, 2018 Arrears By Year<sup>7</sup> (Appendix E). Of this, \$76,005.15 has been outstanding prior to 2014. As 9 of the properties have arrears on November 28, 2018, the title acquisition is not complete, whether that is due to the Town not pursuing the acquisition process or whether the process is still underway.
- 5.18 The following table illustrates the properties that the Town took action against and the amount of outstanding taxes for each property. It was noted that 14 properties represented 39% of the outstanding arrears.

**Table 5 – Property Tax Enforcement**

30-day and 6-month Notices	Meeting Date	Motion	Unpaid Listing at Dec 31, 2018	Arrears as at Nov 30, 2018
Property 3-4, block 6, plan g1466	16/09/2014	237/14	\$1,770.88	\$ -
Property 13-14, block 22, plan i5059	16/09/2014	238/14	1,179.81	1,024.88
Property 6, block 4, plan f4857	16/09/2014	239/14	-	-
Property 11-12, plan g3778	04/08/2015	200/15	-	11,789.36
Property 18-19, block 17, plan i5059	04/08/2015	202/15	7,903.44	7,639.72
Property 4, block 23, plan i5059	04/08/2015	208/15	787.88	14,774.63
Property 4, block 13, plan i5059	04/08/2015	209/15	-	-
Property 2, block 9, plan g3010 ISC parcel #135650099	04/08/2015	210/15	829.74	-
Property 13-15 block 10, plan g3010	04/08/2015	211/15	-	21,444.47
Property 22-25, block 4, plan g1466	04/08/2015	214/15	-	34,527.95
Property 21, block 4, plan g1466	04/08/2015	217/15	-	15,067.14
Property 2-3, block 17, plan i5059	04/08/2015	218/15	-	10,865.34

<sup>7</sup> The Arrears by Year as of November 30, 2018 was generated from the Munisoft. It includes the taxes in arrears broken out by the years 2014 through 2017 and amounts aged prior to 2014.

30-day and 6-month Notices	Meeting Date	Motion	Unpaid Listing at Dec 31, 2018	Arrears as at Nov 30, 2018
Property 13, plan g3778	18/08/2015	223/15	232.28	23.55
Property 14, plan g3778	18/08/2015	224/15	208.38	-
			\$9,961.72	\$117,157.04
Total arrears				\$298,889.25
Largest accounts as a % of total				39.2%

- 5.19 As we were limited to a review of meeting minutes and property tax correspondence provided by the current administrator, we cannot confirm there were additional properties against which the Town started title acquisition. Other than passing motions and issuing notices for property acquisitions, it is unclear what further action the Town took against these specific properties and why some of them still have balances due. From discussion with the current administrator, it takes more than a year to foreclose on a property and title to transfer to the Town.
- 5.20 Excluding current balances, there were 77 properties in arrears at November 30, 2018<sup>8</sup>, with the dollar value of arrears being \$298,889.25 (Appendix E). The balance does not however include any of the 2018 property taxes as they do not move to arrears until December 31, 2018 and our scope is limited to the date of the petition. The total arrears therefore only include arrears from the 2017 tax roll and older. The current arrears may be greater than the amount owed at November 30, 2018.
- 5.21 The ten properties with the largest balances outstanding were identified from the listing (Appendix E) and cross referenced to the 14 properties the Town sent notices to in 2014 and 2015. Action was taken on six of the properties as per the Council minutes. Each of these properties still however have arrears more than three years after the Town had started the title acquisition process. It cannot be confirmed if they are still sitting in arrears due to the Town failing to follow through with the foreclosure, or if the process is still in progress.
- 5.22 The following table shows the 10 highest arrears owing the Town.

**Table 6 - Properties with Significant Arrears**

Property Description	Arrears Prior to 2014	Total Arrears at Nov 30, 2018	Action Taken
PT 22-23 04 G1466	25,441.79	34,527.95	04/08/2015
13-15 10 G3010	16,462.92	21,444.47	04/08/2015

<sup>8</sup> As per section 5.11 of this report, 77 properties had amounts in arrears as at November 30, 2018. At December 31, 2018, the properties with taxes owing to the Town increased to 212 properties as the balance at December 31, 2018 includes 2018 taxes, whereas the Arrears by Year at November 30, 2018 includes up to the 2017 levied taxes.

Property Description	Arrears Prior to 2014	Total Arrears at Nov 30, 2018	Action Taken
4-5 02 F4857	5,113.24	20,731.42	N/A
01-3 10 G3010	9,144.76	19,132.27	N/A
01 02 F4857	-	15,817.47	N/A
21 04 G1466	8,654.73	15,067.14	04/08/2015
04 23 I5059	8,429.30	14,774.63	04/08/2015
06-7 17 I5059	-	13,482.87	N/A
11-12 G3778	10,209.51	11,789.36	04/08/2015
PT 1-3 & 23 15 I5059	-	10,865.34	04/08/2015
<b>Total</b>	<b>83,456.25</b>	<b>177,632.92</b>	
<b>Total arrears</b>		<b>298,889.25</b>	
<b>Largest accounts as a % of total</b>		<b>59.4%</b>	

- 5.23 There are four properties where no action (highlighted in the above table) has been identified through our review of meeting minutes and tax correspondence. Two of the four properties have arrears in excess of five years old. Based on the information we were provided; it cannot be concluded if any action has been taken in relation to additional properties.
- 5.24 Darrin Beaudoin told MNP that he attributed the difficulty in collections to the 2016/2017 economic instability, in that residents were losing jobs and were unable to pay the Town. Poor economic times do not dismiss the requirement for residents to pay their obligations to the Town or the Town to act on uncollectible amounts.

## Findings

- 5.25 The Town has a fiduciary responsibility to levy and collect property taxes per *the Municipalities Act*. Furthermore, Council is required to maintain the financial integrity of the Town. By taking a passive approach to the collection of taxes, which has led to growing receivables and liabilities, the Town is not fulfilling these responsibilities. The Town has not done a sufficient job enforcing collections of property taxes.
- 5.26 The Town does not relinquish its responsibility to tax collection by employing an administrator to conduct its operations. The administrator had a responsibility to inform the Council of any concerns and it is Council's responsibility to ask questions of its administrator.
- 5.27 Although the taxes were levied each year, the 2018 tax roll was not printed until November of 2018. With property owners historically being slow to pay taxes, there is concern that the amount of arrears the Town will have when in 2019 and the potential for future financial strain.

- 5.28 The results of continual growth in uncollected accounts receivable amounts could lead to an inability to obtain any future financing, breach of debt covenants as required by *the Municipalities Act*, difficulty in sustaining the day to day operations, ineligibility for government funding and potential for repayment of previous funding.

### **Education Remittances**

- 5.29 A portion of the taxes paid by ratepayers is payable to the Ministry of Education as education tax rates. This portion forms a portion of the tax bill provided to ratepayers each year.

### **Recording Collection of Taxes**

- 5.30 Based on a review of the Town's general ledgers, when education taxes are levied, a payable is set up in account 210-250-100 School Tax – Penalty, however the remittances are recorded in account 210-210-100 School #1 – Collected – Current. Further, when taxes are collected from rate payers, the collections are recorded against the receivable.

### **Remittance & Reporting of Collections**

- 5.31 Pursuant to section 10(1)(b) of *the Education Property Tax Act*, the Town is required to pay all proceeds of the school tax received to the Government of Saskatchewan. An "Education Property Tax Monthly Collection Return Form H2" is filled out by the administrator and sent to the government by the 10th of every month following collections. Monthly remittances are to equal the total education levies collected on property taxes of that month. Should there be no collections for a month, a \$nil form is to be filed.
- 5.32 Any monies unpaid to the Government, along with interest at the prescribed rate, as at January 1 are a debt due by the municipality.
- 5.33 All municipalities are required to fill out and submit interim and annual remittance forms. The interim report is to cover the period January 1 to August 31 and must be submitted by September 15th of every year. Annual returns are due on or before January 31 of each year under *the Education Property Tax Act*.
- 5.34 The Town administrators record education property taxes into two accounts in the Towns accounting records. The two accounts appear to do the same thing but contain different entries. With two payable accounts, it becomes difficult and convoluted to track the amounts uncollected, the collected but unremitted and the collected. The total of the two education tax payables grew from \$68,906.69 as at December 31, 2014 and up to \$473,434.39 by November 30, 2018.

- 5.35 We reviewed the annual returns sent from the Ministry. We are however unable to reconcile them to the Town's general ledger. The education tax transactions are not able to be traced in the general ledger and therefore the balances in the general ledger are not accurate and cannot be relied on. Rather, we have relied on the 2014-2017 annual returns sent from the Ministry and the 2018 return as prepared by Brenda Lockhart.
- 5.36 The amount owing at December 31, 2018 includes a \$374,164.48 carry forward balance from 2017, the 2018 levy of \$130,410.54, remittances of \$132,256.08 and other penalties, for a total amount owed to the Ministry at December 31, 2018 of \$390,652.96.
- 5.37 The poor recording of education taxes has likely led to the inconsistency of remittances and difficulty in reconciling the annual education remittances. The Town provided the 2014 through 2018 annual education tax remittances forms to be reviewed (Appendix F). There were various different versions of the 2016 and 2017 returns and the opening balance for the 2017 annual return did not agree to the 2016 ending balance. The source of the discrepancy is unknown and currently being investigated by the current administrator.
- 5.38 The Town did not remit taxes collected on a monthly basis, as confirmed by a review of the annual remittance forms for the years 2014 through 2018 (Appendix F). The Town was collecting monies, but not remitting them to the government. In some case no monies were remitted, as shown on the summary of annual returns, and in other months, an amount that differs from the actual collections reported on monthly H2 forms was remitted. Furthermore, some of the monthly remittances on the annual return are rounded numbers implying to be 'catch up' payments when there were not sufficient funds available for remitting. Mr. Beaudoin told MNP that he was trying to make up the difference of amounts owing when possible with other financial commitments.
- 5.39 Current Councilors were not aware of the severity of the outstanding liabilities to the Government. Former administrator Darrin Beaudoin admitted to not making Councilors fully aware of the Town's financial position and outstanding liabilities to the Government. To try and 'catch up', Mr. Beaudoin had Council sign blank cheques in the hope that whenever there were funds available, he could submit amounts to the Government promptly rather than having to wait until the following Council meeting.
- 5.40 The total remittances for the year as a function of the current year levy and over the outstanding balance varies from year to year. In the years 2015 and 2017, it appears the Town failed to collect and remit payments to the Government as remittances were less than 60% of the current year levy.

- 5.41 The following table shows that the Town was collecting education property tax however only remitting those amounts at a much smaller rate.

**Table 7 - School tax remittances**

	2014	2015	2016	2017	2018
Remittances to current year levy	85.2%	59.8%	108.0%	53.6%	101.4%
Remittances to O/S balance	40.2%	25.5%	38.3%	15.5%	25.2%

- 5.42 The annual returns show total taxes collected by the Town but not remitted to the Government. From 2014 to 2017, this balance went from \$96,497.47 to \$238,393.87 (Appendix F). The 2018 remittance form was received from the current administrator in electronic form which does not show the total taxes collected from rate payers, but not remitted. The current auditors, Cogent CPA, and the Government have both expressed concern over the size and growth of the amounts the Town was collecting but failing to remit (Appendix G & Appendix H).
- 5.43 The general ledger payable accounts do not agree to the amounts reported on the annual returns. The "Due to School at Dec 31" reported amounts do not agree to the payables in the general ledger and therefore MNP is unable to confirm how much the Town owes to the Government.
- 5.44 The Town has received letters from the Ministry indicating concern over the collected but unremitted amounts and errors in the forms submitted by the Town Administrator (Appendix I). In November of 2017, Council acknowledged the letter received from the Government regarding unremitted amounts and at a public meeting, Dave Summers, the mayor, expressed the need for borrowing \$180,000 to cover a portion of the outstanding education tax liabilities (Appendix J).
- 5.45 Per *the Municipalities Act*, the Minister shall charge interest on outstanding amounts. As at December 30, 2018, penalties totaled \$14,314.77 (Appendix F).

## Findings

- 5.46 Pursuant to 18(2) of *the Education Property Tax Act*, the members of Council at the time the municipality was required to collect or pay school taxes to the government are jointly and severally liable, together with the municipality, to pay the amount of the school tax. Further, under 17 (2) of *the Education Property Tax Act*, the minister can
- (a) retain, from moneys otherwise due or payable to the municipality by the minister pursuant to an Act that the minister is responsible to administer, an amount equal to the amount of school taxes that are required to be levied, collected or paid, together with interest at the prescribed rate and calculated in the prescribed manner; and*

*(b) refuse to pay, suspend or adjust moneys otherwise due or payable to the municipality by the minister pursuant to an Act that the minister is responsible to administer.*

- 5.47 The Town's financial obligations are not mitigated by leveraging these duties to their administrator. The administrator indicated that the Town was in a financial crisis and funds needed to be allocated in some fashion. This has resulted in failing to meet the provisions of the *Education Property Tax Act*. The administrator is the sole employee of the Council.
- 5.48 The Town was using the education funds received towards day-to-day operating expenses to keep the Town running and therefore resulting in the Town becoming increasingly indebted to the Government. The Town's failure to remit and pay all proceeds of the school taxes received is contrary to section 10(1)(b) of the *Education Property Tax Act*, which requires the municipality to pay all proceeds of the school taxes received by the tenth of the following month. An additional financial burden is the accrual of interest on the outstanding balance. Not only is the Town's future outlook in question, but Councilors are jointly and severally liable for the school taxes payable.

#### **16 to 43 Waste Management Corporation**

- 5.49 From a review of the Company's website, 16 to 43 Waste Management Corporation is a not-for-profit waste management site that aims to address waste management challenges and recycling for small municipalities. Created August 13, 2015, the Corporation is governed by the following five municipalities:
- Village of Maymont (8%);
  - Town of Blaine Lake (27%);
  - Town of Radisson (27%);
  - Town of Hafford (21%); and
  - Rural Municipality of Douglas (17%).
- 5.50 The Town previously had a contract with LORAAS Disposals for waste services. Based on discussions with Dave Summers, the Town's mayor at the time and the Town's appointed director on 16 to 43's Board of Directors, LORAAS' costs were increasing year over year. The Town's decision to be a part of 16 to 43 was to eventually achieve cost savings on waste disposal costs, to incorporate a recycling program and to have autonomy.

- 5.51 From our review of the meeting minutes, the first noted mention of 16 to 43 Waste Management Corporation was April 20, 2015 where the Town passed a motion to authorize \$5,000 for the landfill start up, made in accordance with the letter dated August 17, 2015 from the Town of Hafford requesting \$5,000 to be paid to the Corporation for the cost of land (Appendix K). The \$5,000 fee was paid August 17, 2015 and reported under actual expenses on the August 2015 monthly financials, however the monthly statement does not include a budget.
- 5.52 Further, a motion passed in June of 2015 stated that the Town was joining 16 to 43 and will provide \$30,000 in funding. January 29, 2016 the Town issued a letter to 16 to 43 stating a resolution was passed January 5, 2016 authorizing the Town to join 16 to 43 Waste Management Corporation (Appendix L) and provide funding as required. The letter was signed by Dave Summers and Darrin Beaudoin. A \$30,000 payment was not noted in the Town's accounting records, however there were two \$10,000 payments made to the Corporation on November 17, 2015.
- 5.53 Prior to the discussions for landfill funds, there was no mention of any cost/benefit analysis or feasibility study. Mr. Summers told MNP that there was a feasibility study conducted on 16 to 43 before the Town's financial commitment was made.

#### **Guarantees**

- 5.54 April 2016 the Town read and approved bylaw 5-2017/4-2016, a guarantee of \$334,437 for the Corporation's \$1,500,000 loan over 15 years by way of the Town's municipal grants and taxes, to a maximum of \$133,800. (Appendix M) Per the terms of the agreement, should the Corporation default, the Town would be required to contribute monthly installments of \$1,858 over the 15-year term of the loan.
- 5.55 At the April 17, 2018 meeting, bylaw 7-2018 was read and approved for an additional \$67,500 guarantee for a new \$250,000 loan, giving Mr. Beaudoin and Mr. Summers authorization to sign and execute the guarantee (Appendix N). The guarantee was originally discussed in 2017, however the loan was not executed until 2018. The Town's required monthly payments should the corporation breach a covenant or default are not known.
- 5.56 The total loan guarantees are as follows:

**Table 8 - Financial Commitment of Municipalities**

	Guarantee 1 - Mortgage	Guarantee 2 - Term Loan
Blaine Lake	337,748.00	67,500.00
Radisson	334,437.00	67,500.00
Hafford	262,914.00	52,500.00
Douglas	219,205.00	42,500.00
Maymond	38,400.00	20,000.00
	1,192,704.00	250,000.00

- 5.57 The Town has also guaranteed \$5,400 against a \$20,000 line of credit issued to 16 to 43 corporation along with the other municipalities.

### Costs

- 5.58 There have been concerns over the need for and involvement of this venture when the Town itself was not financial stable. Based on a review of the 16 to 43 Waste Management Invoice History (Appendix O), the Town of Radisson has not had to fulfill either of the loan guarantees as the only payments appear to be either start up payments (as approved by Council) or payments for waste management services. All contributions and expenses related to the Corporation were paid with cash and the Town did not require any financing of their own.
- 5.59 The landfill officially opened in February 2017, as noted in the meeting minutes and the first payment to the Corporation for waste disposal services was April 2017. The last payments to LORAAS Disposals for services was August 1, 2017. Per MNP's summary of Appendix O, the Town was paying LORAAS in the range of \$60,000 to \$77,000 for a full year of waste disposal services. In 2018, the first full year of services, provided by 16 to 43, the Town paid in excess of \$120,000. The higher costs do however include a recycle program. The anticipated cost savings are not expected to be experienced in the first few years of operations.

**Table 9 - Comparison of Waste Services Costs**

	LORAAS	16 to 43
2014	\$ 60,724.59	\$ -
2015	77,907.83	25,000.00
2016	62,368.27	-
2017	58,864.41	64,768.40
2018	-	121,678.89
	<b>\$259,865.10</b>	<b>\$ 211,447.29</b>

- 5.60 Per our review of the general ledger, it appears that the Town of Radisson's representative on 16 to 43's board is paid to attend board meetings by the Town. Dave Summers, former mayor and Town representative confirmed that Town of Radisson did pay the board member the standard per diem rate the Council member would normally make for a town Council meeting.

### 16 to 43's Financial Position

- 5.61 Per review of 16 to 43 Waste Management Corporation's audited 2017 financial statement notes, there is no mention of required lending covenants, or breach of covenants by the Corporation (Appendix P). At December 31, 2017 the Corporation had bank indebtedness of \$232,651 (\$Nil in 2016) with an overdraft limit of \$250,000. The 2017 audited statements, with 2016 comparatives does indicate a less than ideal financial state, as shown by a financial ratio analysis. Financial difficulty in the first few years of a corporation is however expected.

- 5.62 Based on our analysis, all payments made to the Corporation were paid in cash and no additional financing was required. The financial state of 16 to 43 is not strong as noted in the 2016 and 2017 financial ratios. Bylaw 7-2016 Schedule (Z) (Appendix Q) requires an annual report by March 31 of each calendar year, however at the time of our work, the 2018 statements were not complete.
- 5.63 From our review of correspondence provided, 16 to 43 is seeking to obtain further financing as per the new lending agreement dated February 2019 (Appendix R). The total guaranteed by the Town of Radisson would be an additional \$27,000 on top of all previous guarantees.

#### **Other**

- 5.64 In October of 2018, Ron Kowalchuk (Town of Hafford representative and Chair of 16 to 43's board) and Al Sorenson (Town of Blaine Lake representative and board member on 16 to 43's Board of Directors) attended one of the Town's Council meeting on behalf of 16 to 43 to communicate concerns regarding timely payment of the Town's invoices for waste management services (Appendix S). Per our review of the Town's invoice history to 16 to 43, it appears they are making monthly payments for services (as indicated by cheque number next to expensed amount).
- 5.65 In the March 7, 2017, March 31, 2017, and April 4, 2017 Meeting Agendas, 16 to 43 was to be a discussion point under 'new business', however in the meeting minutes there were no mention of 16 to 43. As found in the meeting minutes, Dave Summers gave four 'verbal reports' at Council meetings in the period May 2017 through November 2017, but there was no attached support to any of the meetings regarding the topics discussed, and therefore limiting our ability to better understand the venture.
- 5.66 Pursuant to Section 159 of *the Municipalities Act*, a municipality is required to get approvals for all expenses that are not budgeted for. The 2016 budget, with 2015 budgets and actuals was included in the meeting minutes. Under environmental health service expenditures, the funding is not specifically identified. There are waste collection costs budgeted for which may include the funding, but with the information available, we cannot conclude whether the funding was appropriately budgeted for. Alternatively, the Council must authorize the expenses that were not budgeted. Based on our analysis, the funding was appropriately authorized as resolutions were passed for the funding and guarantees.

## Findings

- 5.67 Despite the Town having financial encumbrances related taxes, they chose to enter into a venture requiring cash outflows and increasing the Town's risk by guaranteeing in excess of \$400,000 of the Corporation's loans. At the date of the report, we cannot say if the venture will be viable and generate long term benefits for the Town. It would however seem the Town should not have pursued the venture as it has required cash outflows and loan guarantees when the Town is currently unable to fulfil their own existing liabilities aged over 5 years. With current waste management costs being significantly higher than the historical costs, the cash used to fund the Corporation should have been put towards reducing their existing liabilities to the Government, specifically the outstanding education taxes.
- 5.68 At the date of this report, it is not clear whether cost savings will be recognized by the Town in the coming years or if the Corporation will default on their loans, therefore requiring the Town to fulfil their guarantees which total \$401,937.

## Water Treatment Settlement

- 5.69 MNP was engaged to conduct a review of the settlement for the Water Treatment Plant. MNP has not conducted a full review of the expenses and construction of the Plant but provide information of the history as it relates the litigation settlement.
- 5.70 Per our review of the water treatment correspondence and review of meeting minutes, the Town of Radisson began applying for funding for the Reservoir Expansion under the Building Canada Fund – Communities Component (BCF-CC). Contributions by the Town were to be up to 66.67% of the approved eligible costs up to \$372,000, with a requirement to obtain the appropriate licenses, permits or approvals required to implement the project (Appendix T).
- 5.71 In 2012 the Town awarded the project to the engineering firm Pinter & Associates Ltd. Pinter & Associates Ltd. subcontracted The Water Clinic. The Water Clinic was selected at a proposed cost of \$425,339, later reduced to \$418,339 (Appendix U). Work began in the summer of 2012.
- 5.72 In September of 2012, the Town received an email from Roxy McLeod, Program and Policy Advisor Ministry of Government Relations, requesting the letter of award and permit required under *the Environmental Management and Protection Act*. The construction of the water treatment commenced prior to obtaining the proper permit, which potentially compromising the previously received and future. The matter was brought to Pinter & Associates on September 28, 2012 and a permit was completed by Pinter & Associates on October 30, 2012 (Appendix V).

- 5.73 A protection order was still issued on December 11, 2012 by the Water Security Agency as a result of the missing permit and harm to human health (Appendix W). The order required the Town to stop work as of December 11, 2012, engage an independent third-party professional engineer under *The Environmental Management and Protection Act, 2002* which cost the Town approximately \$16,000 (Appendix X), and re-apply for a permit to construct.
- 5.74 In the provincial court, the Town received a fine order on November 14, 2013 in the amount of \$8,000 for commencing construction without having first obtained a permit from the Minister, which was an offence to section 21(1) and section 74 (2) of the *Environmental Management and Protection Act, 2002* (Appendix Y).
- 5.75 The Town did however still appoint Pinter & Associates Ltd. as the consulting engineers at their January 21, 2013 Council meeting despite the Council having concerns over the engineering work and missing permit (Appendix Z).
- 5.76 The Town incurred the following costs as a result of Pinter & Associates' apparent errors (Appendix X):
- The Town paid KGS Engineering Services \$16,312.29 for professional services to ensure that the engineering services were verified and to print a report with recommendations. Pinter verbally agreed to pay 50% of these costs;
  - The Town paid The Water Clinic an extra \$16,000 for extra piping as no engineered plans had been presented to them by Pinter;
  - Two fillers were brought to the water plant for \$29,489 that were not installed as it was determined there was no benefit to them;
  - Pitless adapters were wrongfully purchased under the recommendation of Pinter & Associates. Although one was not able to be used, it still was. Overrun costs for repairs and the restocking and freight left the with costs of \$14,744.86; and,
  - The total costs of the apparent errors by Pinter and Associates was \$68,390.02.
- 5.77 In the Minutes of Settlement dated January 28, 2015 (Appendix AA), Pinter & Associates Ltd. was ordered to pay the Town \$35,000 and a waiver of the outstanding balance owed for work of \$12,190.91. On March 25, 2015, the Town received a letter from Pinter & Associates Ltd.'s lawyer with an enclosed copy of a cheque in the amount of \$35,000 for settlement funds. Based on a review of the 2015 general ledger, \$35,000 was received and recorded on April 29, 2015.
- 5.78 From discussions with the Town's Councilors, the reservoir project was projected to cost in the \$300,000-\$400,000 range, however as the project began, the administrator was reporting to the government the estimated project costs to be \$750,000, with eligible funding up to \$372,000.

- 5.79 The Town recognized their financial inability to cover half of the outstanding debt related to the project but were unable to obtain any further grant funding or external financing until a permit to construct was approved (Appendix BB). Balances outstanding to The Water Clinic at September 2013 were in excess of \$280,000. Per review of the 2014 general ledger \$200,000 was borrowed to finance the reservoir expansion (Appendix CC).
- 5.80 Per our May 8, 2019 email correspondence with Jennifer Getz, Government of Saskatchewan, (Appendix DD) the Water Agency Security was satisfied with the results submitted by the independent engineer and the Town therefore did not lose funding or have to pay back any funding as a result of constructing before the permit was issued.
- 5.81 Former administrator, Darrin Beaudoin, and former mayor, Dave Summers believe the significant increase in costs related to the project and need for additional financing to fulfill all obligations related to the upgrade was a significant event for the diminishing financial position of the Town.

### **Findings**

- 5.82 The Town did a poor job planning for the project and conducted limited due diligence prior to awarding the bid to Pinter & Associates Ltd. As a result, it appears from our limited review that the project costs exceeded project estimates, various boil water advisories had to be issued, the Town had to get legal counsel involved, and the Town's overall financial position deteriorated.
- 5.83 As a result of this poor planning and project management, the Town incurred needless expenses for court costs and additional engineering services.

### **Lost \$300,000 Grant**

- 5.84 In January of 2017, the Town's Council passed a motion to support the application of funding for upgrades to the water treatment plant (Appendix EE). The Town applied for funds through the Canadian Fund – Provincial Territorial Infrastructure Component – Small Communities Fund (PTIC -SCF). As per the Government website, the \$10-billion Provincial-Territorial Infrastructure Component (PTIC) provides support for projects of national, local or regional significance, which includes the Small Communities Fund (PTIC–SCF) to provide \$1 billion for projects in municipalities with fewer than 100,000 residents (Appendix FF). In Saskatchewan, the funding is administered through the Saskatchewan's Ministry of Government Relations.

- 5.85 The undated application prepared and submitted by the Town states the funds were to upgrade the water treatment plant by adding a new fire pump/generator and purchasing new electronics for the water plant and a new set of Variable Frequency Drive Water Distribution Pumps to provide a safety valve for increased fire protection and for decreased chance of boil water advisories with better generator (Appendix GG). Bullee Consulting Ltd. was hired by the Town to provide estimates of the project. The consulting firm concluded on total costs of approximately \$370,000 and of which \$313,000 being eligible for funding (Appendix HH).
- 5.86 On June 20, 2018, the Ministry emailed the Town their conditional approval for the funding (Appendix II). The Town later received an undated letter advising the Town that the Ministry withdrew the approval due over concerns with the Town's financial ability to finance the remaining unfunded portion of the water treatment plant upgrade (Appendix JJ).
- 5.87 There is no indication that any work was conducted on the Water Treatment Plant for the upgrades. The only noted costs related to the project from our general ledger review was \$6,161.93 paid to Bullee Consulting Ltd. in 2018 for the project, which was required as part of the application for funding.

### Findings

- 5.88 The Town's deteriorated financial position has lost the Town \$313,000 in funding to upgrade the water treatment plant. If the Town fails to sort out their financial position, they will continue to be rejected by the government for any future funding. Without being able to obtain any alternative financing due to the poor financial position, the Town will fall behind in upgrades, repairs and expansions of large capital assets. The Town, therefore, will be challenged to provide good government, services and facilities necessary for a municipality, and maintenance of a safe and viable community, as required by *the Municipalities Act*.

### Gas Tax

- 5.89 Towns and municipalities receive funding from the Provincial Government for infrastructure projects. Recipients of the Gas Tax program must comply with the program's Terms and Conditions (T&C) per the Gas Tax Program – Municipal Compliance (Appendix KK). Any failure to comply may result in a hold being placed on the semi-annual funding and once three consecutive payments are held for non-compliance, the municipality will be required to repay all funds and be removed from the program.
- 5.90 We understand that the Town has 5 years to use the funds received on capital projects and as such the monies were not allocated to a separate account for the Town. The Town, however, must account for the projects on which the monies are spent to satisfy the conditions of the Gas Tax Program.

- 5.91 From our review of correspondence between the Town and the Government, the Town did not meet at least two of the program's Terms and Conditions, in that it did not completely spend all funds nor submit the 2017 annual financial statements with a clean opinion.
- 5.92 The first noted communication of concern to the Town from the Government was a letter dated September 11, 2017 stating there were \$26,357.80 in unspent funds that were required to be spent by December 31, 2018 and a similar letter regarding unspent funds on April 11, 2018 and request for an explanation of unspent funds (Appendix LL). The Town's administrator at the time, Pat Peacock, responded that the funds had not been spent as the Town *"faced some financial problems and did not have money to work on these projects in 2017."*
- 5.93 As the Town's 2017 financial statements remain incomplete at the date of this report, and with the 2018 statements being due July 1, 2019 (without an extension of time bylaw), the Town's third payment will likely be held.
- 5.94 Garth Kessler, Ministry of Government Relations, confirmed the August 2018 and March 2019 payments are currently being held for a total of \$31,613 and the third payment is scheduled to be on August 20, 2019 for \$15,000 (Appendix MM).

### **Findings**

- 5.95 The total funding received since the program's inception in 2005 was \$288,419.40. Of the total funding, the Town has appropriately spent \$155,547.48, therefore leaving a liability of \$132,871.92 to be repaid for failing to spend funds received and not providing audited financial statements as per the terms and conditions of the funding.
- 5.96 As the Town does not have the 2017 statements completed 18 months after year end, the 2018 statements will not be done by July 1, 2019. As a result of the incomplete statements, the Town may be required to pay the Government the unspent funds of \$132,871.92. There is no indication that the Town has set the monies received aside for future spending on the approved capital spending.
- 5.97 With the Town currently under financial stress, adding a new liability over and above all previous debt outstanding to the Government, the Town will only further their financial burden. The Town has been unable to receive financing for other expenditures or liability payments, and therefore it is not likely they will be able to obtain a loan to subsidize all or a portion of the potential \$132,871.92 liability.

### **Conflict of Interest**

- 5.98 It is understood that Councilor Marion Fehr-Stead's son, Matthew Hiebert owns a business called M.R.H. Excavating Ltd., which has been engaged to perform work for the Town. Under *the Municipalities Act*, the mother-son relationship falls under "family" and therefore requires Mrs. Fehr-Stead to comply with the corresponding standards, procedures and rules in relation to a conflict of interest.

- 5.99 Under section 141.1(1) of *the Municipalities Act*, a conflict of interest exists when a member makes or participates in a decision, knowing there is opportunity to further their private interest or the private interest of a closely connected person. If a conflict of interest exists, under Section 144(1) the Councilor is required to declare the conflict of interest, the nature of it, abstain from voting or decision making and discussions related to the matter.
- 5.100 At the October 8, 2015 Council meeting, Marion Fehr-Stead declared a pecuniary interest in the Albert Street/Noack Street Water and Sewer Contract and left chambers (Appendix NN). A motion was passed to award M.R.H. Excavating Ltd. the contract for Albert Street/Noack Street Water and Sewer Contract at a cost of \$42,970.00 + GST plus \$2,820 + GST to disinfect the water main when done totaling \$43,250.00 + GST<sup>9</sup>. The meeting minutes indicate Marion returned to the meeting after Council had awarded the tender.
- 5.101 There are no further details in the meeting minutes whether there were any other bids received and if M.R.H. Excavating Ltd. was the most qualified for the work or if the bid was cost effective. In a conversation with Dave Summers, former mayor, there were three bids on the project and M.R.H. Excavating was the lowest bid, however without any additional documentation, we are unable to confirm this. In a review of the 2014 through 2018 meeting minutes, there was no other mention of M.R.H. Excavating Ltd. or the Albert Street/Noack Street Water and Sewer Contract.
- 5.102 MNP's review of the Invoice History for M.R.H. Excavating Ltd. for the period January 1, 2014 through May 15, 2019 shows a total of \$51,578.10 being paid to M.R.H. Excavating Ltd. (Appendix OO). The first payment was on January 5, 2016 for \$25,000 or half payment for contract work, and the last payment was May 3, 2016. MNP did not conduct an invoice or contract review and cannot comment on the appropriateness of the payments.

## Findings

- 5.103 After declaring a pecuniary interest and removing herself from chambers, Marion Fehr-Stead complied with *the Municipalities Act*.
- 5.104 Mrs. Fehr-Stead was however present during the review of MNP's work plan, which included approval of work regarding the conflict of interest between herself and her son for the water sewer contract, therefore not taking the appropriate conflict of interest action pursuant to *the Municipalities Act*. The motion form was moved and signed by Mrs. Fehr-Stead.

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<sup>9</sup> It is noted that the meeting minutes incorrectly totalled the amounts.

## **Other Findings**

5.105 MNP has made the following observations regarding Town procedures.

## **Meeting Minutes**

5.106 After reviewing meeting minute packages for the years 2014 through 2018, several findings were noted.

- Not all meeting minutes were signed;
- All meeting minutes are in folders/binders and available to the public, but not published online;
- Minutes were vague, therefore not always easy to review;
- Binders were disorganized and occasionally not in chronological order;
- No monthly budgets and financials were discussed and adopted by Council after June 2017;
- Monthly budgets and financials were missing for some months in the minutes for the period 2014 up to June 2017;
- Not all monthly budgets included numbers in the 'budget' column, rather they show a comparative between current month, previous month, and year-to-date;
- Monthly budgets and financials were discussed and adopted 1-3 months subsequent;
- Annual budgets were discussed in May or June for the years 2014 through 2017;
- The 2018 annual budget was discussed in November 2018;
- Bylaws for financial statement time extensions were passed every year, including twice in 2015 and 2018;
- 2014 and 2015 meeting minutes were well supported and included financial information;
- Subsequent to 2015, there was less and less supporting documentation;
- Late 2016 into 2018, some meeting minutes included meeting agendas; and,
- Some meeting minutes did not include any attached support or documentation, most notably in 2018.

5.107 From discussions with Darrin Beaudoin, as the administrator he would prepare monthly statements for Council, however they would occasionally be late and not always discussed in depth for the Councilors to understand the significance of the financial position of the Town. It is the administrators responsibility to ensure that there is concise budgets, minutes of meetings and information to Council.

## **Findings**

5.108 It is expected the meeting minutes would have included more details and appropriate support for all the discussions that occurred. With more details, we would have been able to better articulate the resolutions and we could have concluded on more of our findings.

5.109 The Town has an obligation under *the Municipalities Act* to spend only according to budget. Had the Town followed budgets and recognized their financial limitations, there likely would have been less issues raised by the Petitioners.

### **Bank Statements**

5.110 MNP obtained and reviewed of the bank records for the years 2014, 2016, 2017, and 2018 in paper format and monthly electronic statements for 2015 and observed the following:

- Bank reconciliations were prepared and attached to bank statements in 2014, 2016, and January - November 2017 (2015 statements were electronic statements, with no corresponding reconciliations); and
- December 2016 was the last balanced bank reconciliation. The January 2017 bank reconciliation was out by \$2,484.89, there were two February 2017 reconciliations which are out by \$361.20 and \$1,411.20, the March 2017 difference jumped to \$21,843.49.

### **Finding**

5.111 The bank reconciliation being unbalanced is very concerning to the Town. Based on discussions with the current administrator and Cogent, the bank balance remains unreconciled and has contributed to the delay in completing the audited financial statements.

### **Utilities**

5.112 As discussed with Brenda Lockhart, the process for utilities is that the charges for utilities are billed to customers every three months and are due within thirty days. No fees are charged on outstanding utility balances until they get moved to property taxes, which happens every December 31. At which point, it is 1.5% per month is to be charged on the overdue balance.

5.113 After reviewing meeting minutes for the years 2014 through 2018, Council had the following discussions:

- March 2015 – Motion to hire collection agency for overdue utilities
- October 2016 – Discussion of Municipal Utilities Letter on outstanding accounts
- November 2017 – Motion to send registered letters to residents with accounts >90 days old
- January 2018 – Motion to move utility receivables >90 day onto property taxes
- May 2018 – Motion to send letters to residents with accounts >90 days old
- May 2018 – Option for payment plans provided they are appropriate
- May 2018 – Motion to send final notice to residents who ignore previous request for payments, delivery on May 17, 2018, and water disconnection on May 24, 2018. Marion Fehr-Stead was opposed

5.114 Due to our limitation to the documents and meeting minutes provided, it cannot be confirmed that all actions discussed at Council meetings were followed through with.

5.115 The following table illustrates the amounts of utilities uncollected from rate payers.

**Table 10 - Outstanding utilities**

Year	Outstanding Utilities	% Change
December 2014	\$44,964.87	
December 2015	46,636.49	3.7%
December 2016	55,480.15	19.0%
December 2017	61,541.34	10.9%
November 2018	42,570.07	-30.8%

5.116 The unpaid utilities at the end of each fiscal year increased in the years 2014 through 2017. The receivable balance at November 30, 2018 was down to \$42,570.07, however the fourth quarter billings have not been reported as they are billed in December. The decrease in amounts owed to the Town therefore cannot be concluded to be a result of increased collections or increased enforcement that was discussed in the 2018 meeting minutes.

## Findings

5.117 Currently and historically, the Town has not enforced collection of unpaid utility bills, nor has it sought collection of the property tax accounts to which overdue utility accounts are moved. There is a correlation between the uncollected taxes and uncollected utility payments; it would appear that rate payers have recognized that the Town has not taken any enforcement actions in either case and therefore there is no motivation to make timely payments.

5.118 On a go forward basis, Brenda Lockhart has started sending warnings for disconnection and overdue stamps and she is drafting a new bylaw to enforce rates and apply penalties on overdue accounts.

## Financial Statements

5.119 Cogent CPA, appointed as the Town's auditor in 2015, provided MNP with accounting records for fiscal years 2016 and 2017, however they were unable to provide any 2015 records. After a review of the documents received, several concerns were identified.

- 5.120 The 2016 management letter dated May 22, 2019<sup>10</sup> identifies concerns over not being able to obtain sufficient and appropriate audit evidence for land held for resale, which was also a recurring issue from 2015. An additional management letter point was the auditor's concern over the collected, but unremitted school taxes totaling \$195,383 at December 31, 2016 and inability of funds to pay the school taxes. This balance differs from the \$141,899.91 collected, unremitted amount reported on the December 2016 annual return prepared by the Town's administrator and sent to the government.
- 5.121 A qualified opinion was issued on July 25, 2017 for the 2016 audited financial statements. The basis for qualification was due to lack of evidence for the opening and closing balances of the land for resale. Additionally, a \$30,890 credit to miscellaneous expense was unable to be verified.
- 5.122 The 2017 financial statements provided by Cogent appear to be incomplete. It is unclear which schedules are complete and which require further work. The Independent Auditor's Report dated October 6, 2017<sup>11</sup> provides an unqualified opinion. As at the date of our report, the 2017 financial statements remain incomplete and therefore cannot be relied on.
- 5.123 Based on discussions with Council members, they have never met or had discussions with Cogent since being appointed in 2015.

## Findings

- 5.124 Section 185 of the *Municipalities Act* requires municipalities to prepare financial statements, in accordance with generally accepted accounting principles on or before June 15th of the following year. The municipality shall publicize its financial statements by September 1 of the year it is prepared. Since the 2017 statements are not completed at the date of this report, the Town is not in compliance with Section 185.
- 5.125 The administrators have not complied with their obligations under the *Municipalities Act* to ensure that the financial statements have been conducted by June 15 of each year.

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<sup>10</sup> It is unclear why the 2016 management letter is dated 2019.

<sup>11</sup> It is unclear as to why the Auditor's report which has not been completed as of 2019 is dated in 2017

5.126 The following consequences exist as a result of the 2017 financial statements being incomplete:

- Inability to obtain financing;
- Inability to receive Gas Tax Funding;
- Risk of a liability to repay all previously received, unspent gas tax funds;
- Lost fund for infrastructure improvements;
- Potential for increased financial strain; and
- Potential for increase in distrust and lost faith from the community.

## **6.0 OTHER ISSUES RAISED BY PETITIONER**

- 6.1 During this engagement, MNP has received a considerable amount of information and concerns from the petitioners and other interested parties. We met with the petitioners' representatives on April 1, 2019 and since that time, we have received several emails and telephone calls regarding the actions of Council:
- 6.2 We have attached Appendix PP to this Report which is the correspondence received from interested parties including the petitioners and members of the public. The recurring concerns that were brought forward were:
- a) That Council did not accept the workplan and scope of the audit as presented by MNP from our discussions with the petitioners;
  - b) That Council member Marion Fehr-Stead was in a conflict of interest by failing to recuse herself from deciding whether an investigation should be undertaken regarding the water and sewer contracts which involved her son;
  - c) That issues such as the corn maze have not been addressed by the present Council; and,
  - d) That several Councilors remain from previous councils thus limiting the scope of the audit.
- 6.3 MNP has advised the petitioners and interested parties that concerns should be addressed to the Ministry of Government Relations.

## 7.0 RESTRICTIONS AND LIMITATIONS

- 7.1 This Report was prepared for the Town of Radisson to address the petition of November 28, 2018. It is not to be used for any other purpose and we specifically disclaim any responsibility for losses or damages incurred through use of this letter for a purpose other than as described in this paragraph.
- 7.2 We reserve the right to review our findings and, if we consider necessary, make revisions in light of any new information which becomes known to us after the date of this letter. We trust that the above provides you with an understanding of our analysis.

Yours truly,

**MNP LLP**

*MNP LLP*

Greg Draper, MBA, FCPA, FCGA, CFF, ICD.D  
Investigative and Forensic Services

## **8.0 APPENDICES**