

RM of McKillop No. 220

9/15/2018

MUNICIPAL INSPECTION REPORT

Prepared by Carol Ingham pursuant to a Minister's Order dated August 21, 2018, who was appointed as Inspector pursuant to subsection 396(2) of *The Municipalities Act*, to inspect and report on the matters connected with the management, administration or operation of the RM of McKillop No.220.

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DISCLAIMER

This report and its contents, including statements, comments and recommendations, are based on the review of existing records made available to the Inspector by the Interim Administrator.

This communication is prepared solely for the purpose stated in the Minister's Order dated August 21, 2018, and is not intended for any other purpose. No responsibility is accepted in relation to any third party who relies on this communication for information.

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EXECUTIVE SUMMARY

The Rural Municipality of McKillop No. 220 (RM) was established as the Rural Municipality of Strasbourg No. 220 on December 13, 1909, and on July 7, 1919, the Rural Municipality of Strasbourg 220 was renamed the Rural Municipality of McKillop 220. The RM lies along the east shore of Last Mountain Lake north of Lumsden, Saskatchewan. Its 2016 census population was 732 and it is reported that there are approximately 2,000 ratepayers in the RM. There are a number of resort communities along the lakeshore within the RM comprising nine (9) Organized Hamlets and eleven (11) Unorganized Hamlets, with about 662 subdivided lots.

The RM is divided into six divisions each of which is represented by a member of council. Hamlets are found in the three divisions that are organized along the east shore of Last Mountain Lake. The RM municipal office is located at 103 Ashley Street, Bulyea, Saskatchewan.

Pursuant to the directions given in the appointment by the Honourable Warren Kaeding, Minister of Government Relations (the minister), this report will summarize the results of the inspection into certain matters connected with the management and administration of the RM.

The inspection began on August 22, 2018, and this report was completed on September 15, 2018. The inspection undertook a review of the multiple petitions submitted to the RM, legal and other actions taken by or against the RM, and a high-level financial synopsis of the situation.

It was found that the RM currently has before council seven citizen petitions, as follows:

1. Petition for a referendum to alter the RM's electoral division boundaries. This matter will be voted on in the RM on October 24, 2018, in conjunction with RM elections for even numbered divisions.
2. Petition for a referendum directing council to explore options to give resort communities the ability to have self-government and control over bylaws. This matter will also be voted on in the RM on October 24, 2018.
3. Petition for an advance poll in relation to October 24, 2018, election. The RM council is making arrangements to conduct an advance poll as requested.
4. Petition for a Financial Audit. This petition was deemed insufficient by the RM administrator. However, it appears the RM council is willing to conduct an audit and has proposed options to the petitioners. The status of this petition is outstanding.
5. Petition for a Management Audit. This petition was deemed insufficient by the RM administrator. However, it appears the RM council is willing to conduct an audit and has proposed options to the petitioners. The status of this petition is outstanding.
6. Petition to pass a resolution or bylaw to keep Fox's Point under the sole ownership of the RM. This matter is understood to be in the process of being challenged in the courts.
7. Petition by residents of Shore Acres seeking amendments to the RM's zoning bylaw related to the treatment of vacation trailers on properties.

On the matter of legal, and other, actions taken by or against the RM, the inspection found the following, which are further detailed in the report:

1. The RM is seeking the courts to enforce the disqualification of a member of council under conflict of interest provisions in municipal legislation.
2. The RM's Order to Remedy a matter under its zoning bylaw is being challenged.
3. The RM has received in August 2018 an Employment Standards complaint from a former employee claiming inappropriate termination.
4. [REDACTED]
5. There are multiple complaints received by the RM from citizens of alleged council member violations of the RM's Code of Ethics and Council Procedure Bylaw.
6. Revenue Canada has informed the RM it will commence an audit in the week of September 16, 2018, of the RM's employee T4 documents for the years 2016 and 2017.

The inspection included a high-level synopsis of the RM's financial situation. During the inspection and interviews, no factual evidence of theft, fraud or misappropriation of funds was discovered. Additionally, in interviewing the RM's independent auditor, it was indicated that during their annual audit for 2017, no fraud, theft or misappropriation of funds was discovered.

The inspection reviewed bank records, ledger accounts, information from the draft 2017 audit documents, and tax and utility rolls. While the inspection was a high-level review, and not a detailed audit in any way of the RM's entire operations, it does not appear the RM is in financial difficulty. It appears the RM has rarely needed to access its \$100,000 line of credit for operating the municipality. The long-term debt of the RM is below its authorized debt limit.

The inspection revealed considerable dysfunction among the members of council, and challenges by the council and its administration in meeting the expectations of its citizens and being a transparent and accountable independent municipal government.

This report concludes with recommendations that:

1. The RM council should follow through on the referendums for proposed boundary alterations and exploration of authorities for resort communities within the RM.
2. The RM council should complete a financial audit and a management audit pursuant to terms identified in this report.
3. The Minister should consider directing the RM council to consult and work with residents of Sun Dale on a new utility rate bylaw. That bylaw would thereafter require approval of the Saskatchewan Municipal Board before it could be implemented.
4. The Minister should consider appointing a Supervisor under section 400 of *The Municipalities Act*, to conclude December 31, 2019. This action is proposed to support and guide council to ensure it complies with legislation regarding matters such as council meeting processes, and effectively operates the RM in service to its residents.
5. If the above actions do not improve the functioning of the RM during the Supervisor's appointment, the minister should consider if it is in the public interest to take further actions under section 399 of the Act. This includes issuing directives to council, and the ability to dismiss municipal officials.

PART I: INTRODUCTION

1. Minister's Order

On August 21, 2018 Carol Ingham was appointed by the minister as inspector for the RM of McKillop No. 220. The appointment is pursuant to subsection 396(2) of *The Municipalities Act*.

The Minister's Order (the Order) indicated the appointment was deemed necessary due to the level of issues in the RM. It was necessary to inspect and report on matters connected with the management, administration or operation of the RM.

Pursuant to the Order, the inspector is able to utilize the services of a person with municipal experience to assist her with the inspection. Wayne Zerff was subsequently appointed by the Ministry of Government Relations (the ministry) to assist with the inspection.

2. Inspection Terms of Reference (Schedule "A" of the Order)

Schedule "A" on the Minister's Order sets out the terms of reference for the inspection:

1. The inspector will inspect the following matters connected with the management, administration or operation of the Rural Municipality of McKillop No. 220 (RM):
 - (a) the key RM documents and files from 2016 to present, relating to:
 - a. petitions;
 - b. legal actions taken by or against the municipality;
 - c. high level financial synopsis including:
 - i. bank balances;
 - ii. tax policy decisions applied to the RM as a whole and to organized hamlet;
 - iii. financial commitments;
 - iv. line of credit utilization;
 - v. long-term debt;
 - vi. short term debt; and
 - vii. other financial obligations that may present themselves;
 - (b) the appropriateness of the directions, actions or inactions of any employee or agent of the RM or member of council for the RM, relating to the above listed matters; and
 - (c) other substantive administrative and council deficiencies of the RM, in relation to legislative responsibilities that may be identified through the course of the inspection.
2. The inspector shall prepare a written report in relation to the matters under inspection outlining findings of fact, conclusions and any recommendations.
3. The inspector may determine the rules of, as well as the process and procedure for, the inspection as she sees fit.

4. The inspector may consider any document, including electronic record, or any other evidence, verbal or written, that she considers relevant and reliable.
5. The inspector may enter the RM premises at any reasonable time for the purpose of accessing any record and any computer system or data storage system in order to carry out the Inspectors duties.
6. The Inspector will provide a final report on or before September 15, 2018, to the RM at the same time as it is provided to the Minister of Government Relations. The report can be disclosed to members of council but is not to be disclosed publicly without the minister's approval.

3. Abbreviations and Acronyms

Act	<i>The Municipalities Act</i>
RPA	Ratepayers Association
LMRL	Last Mountain Regional Landfill
PDA	<i>The Planning and Development Act, 2007</i>
Minister	The Minister of Government Relations, Honourable Warren Kaeding
Ministry	The Ministry of Government Relations
Report	The Municipal Inspection Report
RM	The Rural Municipality of McKillop, No. 220
ZB	Zoning Bylaw
SAMA	Saskatchewan Assessment Management Agency
OH	Organized Hamlet
LGEA	<i>The Local Government Elections Act, 2015</i>
ISC	Information Services Corporation
SMB	Saskatchewan Municipal Board
SDLR	SunDale Recreation Ltd.
CRA	Canada Revenue Agency
GST	Goods and Services Tax

PART II: THE INSPECTION

1. Entry and Access to Rural Municipality Records

On August 22, 2018 at 11:04 a.m. the inspector arrived at the RM office Bulyea, Saskatchewan and found the office locked. Inside the municipal office were Reeve Howard Arndt and Division 5 Councillor Linda Helgeson. After knocking on the office door, the Reeve welcomed the inspector in. Upon entering the office, the inspector presented Reeve Arndt a copy of the Minister's Order. Reeve Arndt indicated that the office was closed to the public as the Administrator's contract was terminated on Thursday, August 16, 2018, and two office staff resigned on Monday, August 20, 2018.

On August 22, 2018, Councillor Helgeson indicated that she phoned MicroAge to restrict all access to the computers and change the access number to the front and back doors of the municipal office. The door locks were changed on Friday morning, August 24, 2018. At about 2:00 p.m. on August 22, 2018, Councillor Linda Helgeson phoned MicroAge to get a password for the inspector to access the computer information. At this point the inspector had complete access to municipal records. MuniSoft municipal software is used in the administration of the RM.

On Monday, August 27, 2018, a Special Council Meeting was held appointing Legal Counsel Jaime Carlson as the Acting Administrator for that meeting; and Jane Laich was appointed as Interim Administrator with the appointment being effective on Tuesday, August 28, 2018. The inspector and her assistant, Mr. Zerff, proceeded to review and collect documents pursuant to the Order and terms of reference for the years 2016 to present.

Records obtained included copies of municipal documents as well as electronic records to assist in determining compliance or non-compliance of legislated requirements during the writing of this inspection report.

2. Interviews

As part of the inspection process, meetings with council members and ratepayers were facilitated to attain a better understanding of the concerns and issues. A total of 20 hours was spent as part of the inspection process on interviews with the individuals listed below.

- Reeve Howard Arndt
- Councillor Murray Wild
- Councillor Norm Smith
- Councillor Bob Wilson
- Councillor Andrew Kuderewko
- Councillor Linda Helgeson
- Councillor Marilyn Labatte
- Dianne Ford, Chair; Kris Pennete, Director; Saskatchewan Municipal Board
- Michele Cruise-Pratchler, former Administrator of the RM
- Ian McKay, McKay Criminal Defense
- Ray Wild, chairperson of LMRL
- Roberta Crittendon, former RM employee
- Robert (Bob) Schmidt, RPA
- Garry Dixon, RPA

- Danny Gray, Professional Planner, Urban Systems
- Dean Heinemann, RM Bylaw Enforcement Officer, Commissionaires
- Travis Herman, RM Manager of Public Works
- Michael Marchand, CPA, RM auditor, Chartered Professional Accountants LLP (Cogent)

3. Legislative Responsibilities

In order to understand and document any management deficiencies that occurred as a result of actions or lack of action by the RM council, it is necessary to take a look at *The Municipalities Act* (the Act) and the expectations set out for council and administration. These details are in Appendix 1 of this report.

4. Findings – Petitions

Other than the petitions for the public meetings of the voters, in the last two years the RM has received seven petitions.

Table 1

Petitions
1) Petition for a referendum to alter electoral division boundaries
2) Petition for a referendum asking council to explore options to give the resort communities the ability to have self-government and control over bylaws.
3) Petition for Advance Polls in the upcoming RM election
4) Petition for a Financial Audit
5) Petition for a Management Audit
6) Petition to pass a resolution or bylaw to keep Fox Point under the sole ownership of the RM
7) Petition by residents of Shore Acres seeking amendments to the RM's zoning bylaw related to the treatment of vacation trailers on properties.

The Council of the RM has received petitions from two different groups of electors. Both want to see changes on how the RM is organized and governed. The petitions promote separate changes in the governance of the RM.

a) Status of petition for a referendum to alter electoral division boundaries

The petition was submitted to the RM on February 12, 2018. This question will appear on the ballot at the RM election on October 24, 2018. It asks the RM council to hold a referendum directing council to request the government to alter the RM's electoral division boundaries.

b) Status of petition submitted to explore options to give hamlets the ability to have self government without changing their boundaries

This petition was submitted to the RM on May 1, 2018. This question will appear on the ballot at the RM election on October 24, 2018. It asks the RM council to hold a referendum directing council to explore options to give the resort communities the ability to have self-government and control over bylaws, if they so choose, while leaving the division boundaries as they exist today.

Regarding the above two petitions, the RM Council applied to the court for direction on the wording of the two questions. The decision of Honourable Justice Leurer of the Court of the Queen's Bench dated July 18, 2018, provided the wording for the questions as they shall appear on the ballot for the election to be held on October 24, 2018. The wording of the two questions shall be:

“Should the Council of the Rural Municipality of McKillop No. 220 pass a resolution to request the government of Saskatchewan to alter the divisional boundaries of the Rural Municipalities of McKillop No. 220 in accordance with the proposed boundaries drawn on the map that accompanies this ballot? Yes/No”

“Should the Council of the Rural Municipality of McKillop No. 220 pass a resolution to explore options to give hamlets the ability to have self-government and control over their administration, taxation, zoning and bylaws, if they so choose, without alteration to the division boundaries as they exist today? Yes/No”

Observations

In the first question, if the result of the vote is in favour to alter the electoral divisional boundaries of the RM in accordance with the map that accompanied the ballot, the council will be required to submit an application to the ministry to review. If approved, the minister issues an order for the change.

In the second question to explore options to give resort hamlets the ability to have self-government without changing RM division boundaries. In certain circumstances the Act allows councils to establish designated areas to provide and charge for specific services that may be different than elsewhere in the municipality. The cost of the service could be applied much like a tax levy in addition to the general property taxes set by the RM. In regard to Organized Hamlets (OH), an OH board has the ability to request different tax rates, tax tools, special levies and services for properties within the OH.

c) Status of petition for Advance Polls

A petition was submitted requesting an advance poll in the City of Regina. On August 27, 2018, the RM Council passed a resolution that the Returning Officer for the RM of McKillop No. 220 address the issue of an advance poll in the City of Regina and one in the RM boundaries.

d) Status of two petitions for audits – Financial Audit and Management Audit

Two petitions were submitted on August 11, 2017, to the administrator of the RM that demanded a Financial Audit and a Management Audit be done for the period January 1, 2015 to April 26, 2017. The two petitions have each more than 400 signatures and include a statement to the affect that each person signing is, by signing, attesting that he or she is a voter of the RM and has not previously signed, as required by the Act. The wording of the petitions is as follows:

Petition #1

"We the undersigned, being ratepayers and voters of the Rural Municipality of McKillop do hereby petition according to Section 140.1 of *The Municipalities Act* the Council of the RM of McKillop No. 220 to undertake a Financial Audit for the period of January 1, 2015 to April 26, 2017".

Petition #2

"We the undersigned, being ratepayers and voters of the Rural Municipality of McKillop do hereby petition according to Section 140.1 of *The Municipalities Act* the Council of the RM of McKillop No. 220 to undertake a Management Audit for the period of January 1, 2015 to April 26, 2017".

In addition to the submitted petitions the following documents were inspected:

- Petition wording and Legal Advice from the RM legal counsel – September 8, 2017 and January 5, 2018;
- Administrator's Report to the Representatives of the Petition.

Observations

The legal advice provided to the RM dated September 8, 2017, indicated the key points for the administrator to use in the decision process on the validity of the petition. Both petitions were deemed insufficient by the administrator under section 134 of the Act, which is a task required of an administrator to perform.

- At the Council Meeting of October 16, 2017, the RM's legal counsel advised that council could decide to conduct an audit whether or not there was a petition. After much discussion at that meeting, council passed a motion for the RM 's lawyer to contact legal counsel for the Ratepayers Association (RPA). The RM wished to initiate a dialogue about whether the scope of the proposed audit could be defined more clearly to make it possible to determine a cost so that the RM is able to obtain a cost estimate from accountants who are qualified to conduct these types of audits. The representative of the petitioners also represents the RPA.
- In an email dated December 22, 2017, from the RM's legal counsel to the RPA, c/o Bob Schmidt, the email indicates that it is believed that the RPA and the RM council can come to an agreement to have the audits move ahead.
- The RM legal counsel's letter dated January 5, 2018, continues to advise that the petition questions are invalid because they do not assert any concern or reason for either a financial audit or a management audit, as appears to be required on a full reading of *The Municipalities Act*.
- The RM's legal counsel has been in contact with the RPA's legal counsel who is understood to be waiting further instructions from her client, the RPA.
- On February 12, 2018, council passed a resolution stating that in order to enable council to discuss with ratepayers the potential scope of a financial and management audit the administrator and RM legal counsel would seek to identify persons qualified to conduct financial and management audits, and provide information to council no later than the April 2018 regular meeting as to the person(s) available to complete this work. The administrator mailed 110 letters to auditing firms in Saskatchewan and only three auditing firms responded wishing to submit a proposal for the work.
- A letter was sent from the RM to the RPA on June 1, 2018, itemizing what the RM believes should be the scope of the of these financial and management audits.

e) Status of petition to pass a resolution or bylaw to keep Fox's Point under the sole ownership of the RM

The petition was submitted to the administrator on July 31, 2018. It asks the RM to pass a resolution or bylaw to keep a parcel of land identified as NE 9-23-23-W2 and commonly referred to as Fox's Point under the sole ownership of the RM and fully protected and dedicated by all provincial legislation.

The determination of the sufficiency of the petition, pursuant to the Act, has not been made. The representative of the petition has applied to the courts challenging the validity of the RM's related processes; and it goes to the court on September 20th, 2017.

The following documents were inspected:

- Petition - July 31, 2018, submitted to the administrator
- Legal advice from the RM legal counsel - February 12, 2018 and May 11, 2018
- Letter from Information Services Corporation (ISC) June 18, 2018
- Court Action - Court File Number QBG No. 2113 of 2018

The owners of the land, according to a letter dated June 18, 2018 from ISC, is in the name Saskatchewan Wildlife Federation and Rural Municipality of McKillop No. 220. Fox's Point was previously in the RM's name and was acquired decades ago.

At a meeting of council on January 22, 2018, council passed Resolution 26/2018 to transfer the title to Fox's Point into joint tenancy with the Saskatchewan Wildlife Federation. A recorded vote was requested on this resolution. The motion was carried, though two councillors were opposed, and two councillors had already excused themselves from participating in the vote due to a declared conflict of interest.

Council then voted on Resolution 26B/2018, which states:

- That the resolution entitled "Road Closure" to rezone the Fox's Point Property as Environmentally Sensitive, passed on February 13, 2006, be rescinded.

There is an application to the Court of Queen's Bench for Saskatchewan Judicial Centre, Regina, Court File Number QBG No. 2113 of 2018:

Applicant, Robert Schmidt

Respondent, The Rural Municipality of McKillop No. 220

The applicant applied to the courts challenging the validity of the process followed by the RM before passing the resolution to transfer the property known as Fox's Point into joint tenancy with the Saskatchewan Wildlife Federation, and to quash Resolution 26/2018. The court case is scheduled for September 20, 2018.

f) Status of petition by residents of Shore Acres seeking amendments to the RM's zoning bylaw

The RM Bylaw Enforcement Office delivered "Order to Remedy" notices to 53 properties because properties were in violation of Bylaw 340/2018. The Bylaw does not permit RVs on a lot without a residence. The Order must be complied with by September 3, 2018.

The residents of Shore Acres, an unorganized hamlet in Division 1, are frustrated with the continuing conflict regarding trailers on their acreages. They feel because they are acreages,

they should be treated differently than small lots – one vacation trailer per site in accordance with Bylaw 340/2018. The residents feel this is unfair given the size of the lots in the unorganized hamlet of Shore Acres. A petition was submitted with the first date on the petition of July 29, 2018. The petition reads:

- “We, the residents of Shore Acres, would like to petition the Council of the RM of McKillop, to be treated different from the resort lots and farmland. We feel that guidelines/rules designed for small lots should not apply to acreages; i.e. trailers, sea cans, etc. Having 1-10 acres is different than having a 25/50 or 100-foot lot. There needs to be consistent rules, but Council needs to recognize that there are 3 land categories in the RM not 2. We, the undersigned, would like to recognize 3 land categories and adjust the guidelines/rules to reflect such.

Bylaw 340/2018 is an amendment to the RM's Zoning Bylaw No. 234/11, and pertinent to this issue it states:

10.4.6 Vacation Trailers as Accessory Uses

Shall comply with the following regulations:

- (a) Only one vacation trailer shall be permitted on the same site as an accessory use to an existing dwelling and that vacation trailer cannot be self-propelled, nor can it be a mobile home.
- (b) a vacation trailer being used as an accessory used in that fashion, may only be occupied from time to time for a period not exceeding 30 consecutive days between April 1st to October 31st, for temporary sleeping accommodation of guests of a single detached dwelling;
- (c) No vacation trailer shall be kept for hire;
- (d) The facilities and amenities of the dwelling on the site shall be available at all times for the use of the occupants of the vacation trailer;
- (e) No vacation trailer shall be used as temporary sleeping accommodation from November 1st to March 31st since such trailers are for seasonal, not year-round accessory sleeping purposes only;
- (f) No vacation trailer shall be connected to any piped water supply or waste disposal system on any site, whether or not that system serves the existing dwelling on the site.
- (g) No vacation trailer shall have a maximum floor area exceeding 22 sq. M. (236 sq. Ft.).

Observations

Council enforced ZB 234/11 respecting Vacation Trailers as Accessory Uses. The RM's ZB falls under the jurisdiction of the PDA. The petition refers to the PDA, and therefore, the petition is understood to be non-binding on council as there are no provisions for citizens to petition under the PDA.

The RM is now proposing amendments to the ZB to include the creation of Zoning Districts in certain hamlets which would provide for trailers in those districts within the RM. The RM's Development Officer, Urban Systems, is gathering information and undertaking consultation with the commitment of having an amendment to the ZB ready in 2019.

5. Findings – Legal and Other Actions Taken by or Against the RM

Conflict of Interest

On April 18, 2017, at a special meeting of council, Resolution 120/2017 stated that council apply to the Court of Queens Bench pursuant to clause 148(2)(b) of *The Municipalities Act* for an order declaring a councillor of the RM to be disqualified from council. The RM is still waiting for the court decision.

Court of Appeal

PAC 2018-0008 Order to Remedy - Property Description Lot 15, Block 4, Plan 86R34900. Order reads "Discontinue construction of the retaining wall - and restore the land -- to its condition immediately before the undertaking of the development". The Planning Appeals Committee of the SMB denied the property owner's appeal as it related to the retaining wall, on August 14, 2018. The property owner has a right to appeal to the Court of Appeal for Saskatchewan within 30 days from the date of the decision.

Employment Standards Complaint

August 27, 2018, the RM received an Employment Standards Complaint from a former employee claiming the former employee was terminated without the written notice of dismissal required by *The Saskatchewan Employment Act*.

Code of Ethics Complaint and alleged violation of the Council's Procedure Bylaw

In reviewing council meeting minutes since 2016, it appears many council meetings contain rulings on a point of privilege or point of order, as alleged violations of the Council Procedures Bylaw. The RM has received 13 ethics complaints against council members, reported in council meeting minutes as being related to council member conduct and the procedures of council. It appears these complaints were addressed in discussion at "in-camera" sessions at Special Meetings of Council, prior to open public council meetings.

The RM's Code of Ethics Bylaw contains no direction for council on what to do if there are complaints that a member is not following the council's adopted procedures (the Council Procedures Bylaw) for matters such as council meetings or conducting council business. Section 3.3 of the RM's Code of Ethics Bylaw outlines a number of Standards and Values for council to follow as is required under section 93.1 of *The Municipalities Act*. These standards and values include: honesty, objectivity, respect, transparency and accountability, confidentiality, leadership and the public interest, and responsibility.

Whether a procedural violation or any other behavior was a violation of the Ethics Bylaw is a matter that needs to be determined by council, while also respecting conflict of interest procedures required of council members.

Once elected, council members are required to sign an Oath of Office, promising and declaring the following:

1. I will truly, faithfully and impartially, to the best of my knowledge and ability, perform the duties of this office;
2. I am qualified to hold the office to which I have been elected;
3. I have not received and will not receive any payment or reward, or promise of payment or reward, for the exercise of any corrupt practice or other undue execution or influence of this office;
4. I have read, understand and agree to abide by the code of ethics, rules of conduct and procedures applicable to my position as a member of council required of me by *The Municipalities Act* and any other Act and by the council;
5. I will:
 - (a) perform the duties of office imposed by *The Municipalities Act* and any other Act or law and by the council;
 - (b) disclose any conflict of interest within the meaning of Part VII of *The Municipalities Act*, and
 - (c) comply with the code of ethics, rules of conduct and procedures applicable to the office I now hold that are imposed by *The Municipalities Act* and any other Act and by the council.

Revenue Canada Audit

Revenue Canada has provided verbal notice that they will be performing an audit, as the 2016 and 2017 T4's do not match the amounts submitted to Revenue Canada by the RM. The audit is scheduled for the week of September 16, 2018

6. Findings – High-level Financial Synopsis

Financial Commitments and Key Information - Bank Balances

Table 2 below includes a summary of the bank statements during the years 2016 to 2018. These balances provide information on account changes and designated amounts for reserve purposes. The use of dedicated term deposits for reserve purposes, allows better tracking of the RM reserves. It also provides the RM with information on the amount of reserves in term deposits that can be compared to the total reserves listed in the audited financial statement of the RM. This provides an indication as what portion of a reserve is fully funded by cash deposits.

The bank statements as of December 31, 2017, reflect \$915,673 in the RM chequing account, and \$937,304 invested in term deposits. This totals \$1,852,977 in deposits held by the RM in the Affinity Credit Union.

As of August 31, 2018, the bank statements reflect \$386,547 in the RM chequing account and \$942,639 invested in term deposits. This totals \$1,329,185 in deposits held by the RM in the Affinity Credit Union.

Refer to Table 2 for further details.

Table 2

Affinity Credit Union - Bank Statement Summary				
Deposits - CDN	January 31, 2016	January 31, 2017	December 31, 2017	August 31, 2018
Chequing	\$ 61,209.54	\$ 495,229.28	\$ 915,673.26	\$ 386,546.59
Savings	\$ -	\$ -	\$ -	\$ -
Equity	\$ -	\$ -	\$ -	\$ -
Term Deposits	\$ 1,432,461.53	\$ 2,006,476.12	\$ 937,303.53	\$ 942,638.70
Registered Plans	\$ -	\$ -	\$ -	\$ -
Tax Free Saving Accounts (TFSA's)	\$ -	\$ -	\$ -	\$ -
Sub Total	\$ 1,493,671.07	\$ 2,501,705.40	\$ 1,852,976.79	\$ 1,329,185.29
Loans	\$ -	\$ -	\$ -	\$ -
Line of Credit Limit	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00
Ending Line of Credit Interest Rate for Period	2.7%	2.7%	3.2%	2.7%
	2015	2016	2017	2018
Line of Credit Interest Paid in Year	\$ -	\$ 306.30	\$ 28.15	\$ 155.64
Term Deposit - Account Details				
Appropriated Reserves				
	No Term Deposit Designations			
Term Deposit - Future Capital Expenditures	\$ -	\$ 589,103.07	\$ 60,794.26	\$ 60,794.26
Term Deposit - Development Fees reserve	\$ -	\$ 91,400.00	\$ 32,085.50	\$ 32,414.12
Term Deposit - Municipal Reserve Areas	\$ -	\$ 18,520.00	\$ 18,520.00	\$ 18,571.12
Term Deposit - Lagoon Special Levy reserve	\$ -	\$ 482,479.27	\$ -	\$ -
Sub Total Appropriated Reserves	\$ -	\$ 1,181,502.34	\$ 111,399.76	\$ 111,779.50
Organized Hamlets				
	No Term Deposit Designations			
Term Deposit - Alta Vista reserve	\$ -	\$ 72,908.49	\$ 72,908.49	\$ 73,345.94
Term Deposit - MacPheat Park reserve	\$ -	\$ 39,011.02	\$ 39,303.60	\$ 39,539.42
Term Deposit - MacPheat Park reserve	\$ -	\$ 18,288.34	\$ 18,288.34	\$ 18,398.07
Term Deposit - Mohr's Beach reserve	\$ -	\$ 35,882.92	\$ 36,152.04	\$ 36,368.95
Term Deposit - Mohr's Beach reserve	\$ -	\$ 10,860.26	\$ 10,860.26	\$ 10,925.42
Term Deposit - North Colesdale reserve	\$ -	\$ 131,683.38	\$ 131,683.38	\$ 132,473.48
Term Deposit - Sorensens Beach reserve	\$ -	\$ 67,061.65	\$ 67,061.65	\$ 67,464.02
Term Deposit - Spring Bay reserve	\$ -	\$ 149,546.04	\$ 149,546.04	\$ 150,443.32
Term Deposit - Uhl's Bay reserve	\$ -	\$ 39,537.73	\$ 39,906.02	\$ 40,145.46
Term Deposit - Colesdale South reserve	\$ -	\$ 71,002.50	\$ 71,002.50	\$ 71,428.52
Term Deposit - Collingwood reserve	\$ -	\$ 189,191.45	\$ 189,191.45	\$ 190,326.60
Sub Total Organized Hamlets	\$ -	\$ 824,973.78	\$ 825,903.77	\$ 830,859.20
Total Term Deposits	\$ -	\$ 2,006,476.12	\$ 937,303.53	\$ 942,638.70

Tax Policy Decisions Applied to the RM properties including Hamlets

Based on the inspection of the tax tool policies and municipal tax levy implemented by the RM for 2018, a significant increase in municipal taxes occurred on the residential class. During the high-level inspection no documents were discovered that provided an explanation or basis for this decision by the RM.

2018 Tax Tools

- Bylaw 361/2018, A Bylaw to Provide for a Minimum Tax - Adopted August 10, 2018
Land in the Residential Property Class at the rate of \$300.00 per acre.
- Bylaw 362/2018, A Bylaw to Provide for a Base Tax - Adopted August 10, 2018
Improvements in the Residential Property class \$850.00 per parcel.
- Bylaw 360/2018, A Bylaw to Establish Mill Rate Factors - Adopted August 10, 2018
 - Agriculture Property Class - 1.05
 - Residential Property Class - 1.15
 - Commercial Property Class - 0.8

2017 Tax Tools

- Bylaw 333/2017, A Bylaw to Provide for a Minimum Tax
 - Residential Property Class - Land - 420.00; Improvement - 315.00
- Bylaw 332/2017, A Bylaw to Establish Mill Rate Factors
 - Agriculture Property Class - 1.30
 - Residential Property Class - 0.65
 - Commercial & Industrial - 1.17

2016 Tax Tools - Same as 2015

- Bylaw 286/2015, A Bylaw to Provide for a Minimum Tax
 - Residential Property Class - \$400.00 on Land; \$300.00 on Improvements
- Bylaw 289/2015, A Bylaw to Establish Mill Rate Factors
 - Agriculture Property Class - 1.30
 - Residential Property Class - 0.41
 - Commercial & Industrial - 0.80

Table 3 below lists detailed tax policy information.

Table 3: Summary of the Tax policy rates for the years 2015 to 2018

Municipal Tax Policy Rates	2015	2016	2017	2018
Municipal Mill Rate	14.300	14.300	6.600	8.600
Mill Rate Factor				
Agricultural	1.300	1.300	1.300	1.050
Residential	0.410	0.410	0.650	1.150
Commercial Other	0.800	0.800	1.170	0.800
Commercial Resource	0.800	0.800	1.170	0.800
Minimum Tax				
	FIXED	FIXED	FIXED	PER ACRE
Residential - Land	\$ 400	\$ 400	\$ 420	\$ 300
Residential - Improvement	\$ 300	\$ 300	\$ 315	\$ -
Base Tax				
Residential - Improvements	\$ -	\$ -	\$ -	\$ 850
Garbage Recycling	\$ 75	\$ 100	\$ 100	\$ 250

Assessment Roll

Table 4

Assessment Summary Analysis	2016		2017		2018		
	Nbr Hamlets	# of Rolls	Taxable Value	# of Rolls	Taxable Value	# of Rolls	Taxable Value
RM-Rural Assessment	-	1219	\$51,516,105	1226	\$109,031,988	1245	\$110,382,853
Organized Hamlet Assessment	9	686	\$68,391,870	689	\$91,636,570	691	\$95,336,490
Unorganized Hamlet Assessment	11	387	\$52,024,920	387	\$69,656,230	388	\$70,481,555
Total	20	2292	\$171,932,895	2302	\$270,324,788	2324	\$276,200,898

Tax Levy Overview (2016 to 2018)

The table below provides information on the 2016 to 2018 Tax levies within the RM.

Table 5

2016				Mun Tax	Minimum	Base
Type	Municipal Taxes	Garbage Taxes	Total Tax Levies	Assess Levy	Tax \$400	Tax \$0
RM-Rural	\$849,697	\$1,900	\$1,203,092	\$765,497	\$84,200	\$0
Hamlets						
Organized	\$556,084	\$39,900	\$940,212	\$308,884	\$247,200	\$0
Unorganized	\$357,842	\$21,300	\$643,793	\$260,242	\$97,600	\$0
<i>Hamlet Subtotal</i>	<i>\$913,926</i>	<i>\$61,200</i>	<i>\$1,584,005</i>	<i>\$569,126</i>	<i>\$344,800</i>	<i>\$0</i>
Grand Total	\$1,763,623	\$63,100	\$2,787,097	\$1,334,623	\$429,000	\$0
<i>* Values reflect Levy and Levy adjustments and do not include tax levy cancellations or tax adjustments</i>						
2017				Mun Tax	Minimum	Base
Type	Municipal Taxes	Garbage Taxes	Total Tax Levies	Assess Levy	Tax \$420	Tax \$0
RM-Rural	\$868,171	\$100	\$1,321,546	\$782,771	\$85,400	\$0
Hamlets						
Organized	\$554,527	\$38,800	\$971,130	\$272,392	\$282,135	\$0
Unorganized	\$355,985	\$21,500	\$668,458	\$237,125	\$118,860	\$0
<i>Hamlet Subtotal</i>	<i>\$910,512</i>	<i>\$60,300</i>	<i>\$1,639,587</i>	<i>\$509,517</i>	<i>\$400,995</i>	<i>\$0</i>
Grand Total	\$1,778,684	\$60,400	\$2,961,133	\$1,292,289	\$486,395	\$0
<i>* Values reflect Levy and Levy adjustments and do not include tax levy cancellations or tax adjustments</i>						
2018				Mun Tax	Minimum	Base
Type	Municipal Taxes	Garbage Taxes	Total Tax Levies	Assess Levy	Tax \$300/Ac	Tax \$850
RM-Rural	\$1,105,772	\$750	\$1,552,312	\$ 934,659	\$ 168,534	\$ 22,100
Hamlets						
Organized	\$1,336,692	\$108,250	\$1,837,764	\$ 915,138	\$ 34,802	\$ 367,230
Unorganized	\$888,452	\$53,500	\$1,234,923	\$ 676,268	\$ 31,134	\$ 181,050
<i>Hamlet Subtotal</i>	<i>\$2,225,144</i>	<i>\$161,750</i>	<i>\$3,072,687</i>	<i>\$ 1,591,406</i>	<i>\$ 65,936</i>	<i>\$ 548,280</i>
Grand Total	\$3,330,916	\$162,500	\$4,624,999	\$2,526,066	\$234,470	\$570,380
<i>* Values reflect Levy and Levy adjustments and do not include tax levy cancellations or tax adjustments</i>						

Tax Policy and Tax Shifts

In reviewing Table 5 it is apparent that not only is there a significant increase in the municipal taxes levied in 2018, the tax policy has focused this increase on the residential tax class.

It appears that council set their tax policy based on an unsigned report to council, which provided options to recover the \$488,013 deficit shown in the 2017 draft audited financial statements. However, statement 4 of the draft audit shows the loss is made up of amortization and loss on disposal of tangible capital assets. Council received these draft audited financial statements from the auditor which were dated July 9, 2018.

Tax Arrears Overview (2016 to 2018)

Table 6 below provides information on the 2015 to 2018 Municipal Tax Arrears. Information from the ministry indicates that the municipal portion of the tax arrears is not considered excessively high, when compared to other RM's throughout the province. However, the RM may use the services of a tax collection agency to focus on the collection and reduction of municipal tax arrears. This would provide the recovery of funds to utilize in the operation of the RM.

Table 6

Municipal Taxes Arrears -Unpaid					
	December 31, 2015	December 31, 2016	July 31, 2017	December 31, 2017	August 23, 2018
Rural Total	115,059.47	121,304.78	93,017.48	136,337.89	72,743.65
Organized Total	83,080.71	73,179.80	46,103.73	75,524.69	35,962.22
Unorganized Total	111,511.37	178,707.08	152,209.70	199,946.98	183,350.14
Grand Total	309,651.55	373,191.66	291,330.91	411,809.56	292,056.01
<i>Municipal Levy</i>	1,742,081.04	1,763,623.20	1,778,683.55		3,330,916.04
<i>% of Municipal Levy</i>	17.8%	21.2%	16.4%	23.2%	16.4%

Utility Arrears

The table below provides information on the 2018 outstanding Utility account balances.

Table 7

Utility - Outstanding Accounts -Aged Analysis				
# of UT Accounts	Current	Billing Date	Total	
93	\$ 5,296.67	May-31-2018	\$ 5,296.67	

Line of Credit Utilization

The RM's available Line of Credit limit is \$100,000.00. Line of Credit Interest paid to end of August 2018 totals \$155.64.

Long Term Debt

The 2017 Draft Financial Statements from the Auditing firm of Cogent Chartered Professional Accountants LLP states on page 14 the debt limit of the RM is \$1,834,128. As of December 31, 2017, the statements show the long-term debt of the RM as \$1,302,155. The 2018 General Ledger shows the current long-term debt amount to be \$1,252,559.

Short Term Debt

RBC Credit Card - \$910.22

Appropriated Reserves and Organized Hamlet Reserves

The RM Auditor has granted permission for the use of Schedule 8 of the draft audited financial statements to be used in this report. This schedule provides information on the RM Appropriated Reserves and Organized Hamlet Reserves.

The bank statements as of December 31, 2017, reflect \$937,303 is invested in term deposits for the reserves, while Table 8 below from the 2017 draft audited financial Statement states that \$2,432,384 are setup as RM reserves.

Based on these inspected documents, the RM did not have the reserves set out in Table 8 fully funded with term deposits. However, legislation does not require an RM to have reserves fully funded.

Table 8

As at December 31, 2017	Schedule 8		
	2016	Changes	2017
UNAPPROPRIATED SURPLUS	\$913,630	(\$756,428)	\$157,202
APPROPRIATED RESERVES			
Machinery and Equipment	0	0	0
Public Reserve	18,520	0	18,520
Capital Trust	0	0	0
Utility	0	0	0
Other - Future capital reserve	808,045	0	808,045
Other - Lagoon special levy	482,479	0	482,479
Other - Development fee	91,400	0	91,400
Total Appropriated	1,400,444	0	1,400,444
ORGANIZED HAMLETS			
Hamlet of Alta Vista	183,208	(6,040)	177,168
Hamlet of Colesdale Park I	69,293	10,337	79,630
Hamlet of Colesdale Park II	129,203	4,034	133,237
Hamlet of MacPheat Park	55,759	4,801	60,560
Hamlet of Mohr's Beach	44,845	5,497	50,342
Hamlet of Spring Bay	139,229	10,121	149,350
Hamlet of Sorensens Beach	73,083	15,937	89,020
Hamlet of Uhl's Bay	74,684	6,653	81,337
Hamlet of Collingwood Lakeshore	191,513	19,783	211,296
Total Organized Hamlets	960,817	71,123	1,031,940
NET INVESTMENT IN TANGIBLE CAPITAL ASSETS			
Tangible capital assets (Schedule 6)	9,724,070	123,498	9,847,568
Less: Related debt	(1,375,949)	73,794	(1,302,155)
Net Investment in Tangible Capital Assets	8,348,121	197,292	8,545,413
Total Accumulated Surplus	\$11,623,012	(\$488,013)	\$11,134,999

Annual Audited Financial Statement

The 2017 annual financial audit has been completed and the audit firm has provided the RM with draft financial statements for discussions purposes only. The audit firm is planning to make the final version available to the RM later in September 2018, once a further quality control review has been completed.

The RM adopted Bylaw 358/2018 on July 9, 2018, a bylaw to extend the time for the completion of the 2017 Financial Statement. The time required for submission of a copy of the 2017 audited financial statement and the Auditor's Report be extended to September 1, 2018. The time required for publication of the 2017 audited financial statement or synopsis and Auditor's report be and is extended to September 30,2018. The RM is within its authority to provide an extension of time for the completion of the annual financial statements.

Financial Audit

During the inspection and interviews no factual evidence of theft, fraud or misappropriation was discovered.

During inspection and interview with the auditor of the RM, it was indicated that no fraud, theft or misappropriation of funds was discovered. In regard to the larger number of concerns relating to the use of the Lagoon reserve, the reserve funds were transferred from a Term Deposit to the chequing account from May to July 2017.

There is no requirement in legislation or regulations for the RM to fully fund reserves. Since these funds were transferred to chequing account, the RM has used them in the 2017 operation to fund the costs shown in the 2017 Draft Audited Financial Statement.

Council notes from August 20, 2018, indicate that a gravel purchase was not included in the 2017 budget. The gravel stockpile expenditure of \$215,341 was paid to purchase 10,525 cubic yards of gravel from the Highway #322 construction contractor.

In 2017 council made the decision to employ Urban Systems Ltd. to provide professional planning and development expertise to ensure all development files were handled consistently to meet the requirements of the RM Zoning Bylaw, including Provincial and Federal laws, codes and standards. In previous years development costs have been born by all RM taxpayers, though in 2018 council implemented development fees that change the practice to more of a user pay system.

Council noted that their ratepayers want bylaw enforcement. The RM increased bylaw enforcement in 2017 and continues in 2018. The RM has experienced a higher number of development appeals in the last two years. As a result of these actions the costs have increased significantly in the Planning and Development department.

Significant Increases to Administrative Operating Costs

During 2017 and 2018 extensive legal consultation occurred at the request of council to assist in dealing with the complex issues the RM was facing and previously mentioned in this report. The table below provides an overview of the costs in key areas of the RM and how they change over the 2016 to Aug 23, 2018 period.

Table 9

Costs	2017	2017	As of Aug 22, 2018
Administration contracts	179,240	155,845	164,971
Legal consulting	54,550	112,401	212,376
Gravel (some costs setup as inventory)	364,888	755,173	11,401
Landfill	136,311	152,398	24,280
Planning & Development contracts	171,817	131,338	195,482
Total	\$ 906,806.00	\$ 1,307,155.00	\$ 608,510.00

Other Financial Obligations That May Present Themselves

PDAP

The RM received a letter dated May 31, 2018, from Provincial Disaster Assistance Program (PDAP). The letter indicated that the RM had an unreconciled balance owing to the province in the amount of \$61,174.56. The RM was to pay the amount to the province within 30 days of the letter; that being June 30, 2018. The interim administrator contacted PDAP on September 7, 2018, and had requested the file be reopened so the RM can forward the supporting documents to reconcile the claim. PDAP phoned back on September 11, 2018, advising the interim administrator to request an extension on RM letterhead and the letter would be taken to the Executive Director requesting the extension on behalf of the RM. The RM has been given an extension to March 31, 2019 to provide a detailed account of outstanding projects, including a dollar value and a detailed explanation as to why they have not been completed.

Challenge of the 2018 Tax Tool policy, rates and resulting levy

The RM received a letter dated September 13, 2018, from a legal firm representing a large group of ratepayers in the RM, asking council to voluntarily quash the bylaws regarding the 2018 taxation year and consider other options in consultation with the legal firm's office and all concerned ratepayers. The letter indicates that if council does not comply to these requests, legal action in the Court of Queen's Bench will be initiated. The bylaws that were passed pertaining to the 2018 tax year are:

1. Bylaw No. 360/2018 - Establish Mill Rate Factors
2. Bylaw No. 361/2018 - Provide for a Minimum Tax
3. Bylaw No. 362/2018 - Provide for a Base Tax

The letter also requests the RM to appoint a forensic and management auditor or auditors. Alternatively, suggesting council request the minister to appoint an auditor pursuant to section 395 of *The Municipalities Act*.

Planning and Development

In 2017, council made the decision to employ Urban Systems to provide professional Planning and Development expertise. Council notes indicate this was to ensure all development files

were handled consistently and to ensure requirements of the RM Zoning Bylaw including Provincial and Federal laws, codes and standards were met.

In 2018, council implemented revised development fees paid by the applicant, which changes the practice from everyone pays moving more to a user pay system.

Sun Dale Utilities

From 2009 through 2015, all utilities at SunDale have been financed, constructed, and operated by the developer, SunDale Recreation Ltd. (SDRL). All costs associated with water treatment, water distribution, sewage collection, sewage treatment, drainage, and snow removal have been paid by SDRL. Revenues from water sales and utility billings have been used to subsidize these costs. No funding has been requested nor received from the RM towards these operations.

In 2012, SDRL contracted Longlaketon Technology Corp (LTC) to provide Operating and Maintenance Staff for the utilities. LTC has determined that this arrangement is not sustainable beyond December 31, 2016. There is no regulation or bylaw that requires SDRL as developer to provide these utilities beyond the 3-year warranty which expired in 2013. Water and Sewer Utilities are regulated by Saskatchewan Water Security Agency. SDRL has been in compliance with those regulations since May 2010. Water quality has been maintained at a very high quality with only one interruption due to a water main break.

The RM recently took responsibility for SunDale Recreation Ltd. waterworks and sewage works as a result of insolvency of that entity. Sun Dale is an unorganized hamlet in the RM. There are about 35 households in the hamlet on the water system.

Since the RM took over responsibility of SunDale water and sewer utility, the RM adopted Bylaw No. 355/2018 to fix the fees to be charged for the use and consumption of water and to fix the rates to be charged by way of rent or service charge for the use of sewer in the Hamlet of Sun Dale. The Bylaw requires Saskatchewan Municipal Board (SMB) approval before the rates can be charged. SMB has not received Bylaw No. 355/2018 for approval. The rates have not been implemented. The proposed monthly rates listed in Schedule "A" to Bylaw 355/2018 are:

Residence \$700.00;
Public facilities \$700.00;

Bulk Water Rates per 100 imperial gallons.

These rates are:

- effective September 1, 2018 - \$2.00;
- effective January 1, 2019 - \$2.50;
- effective January 1, 2020 - \$3.00.

The SunDale utility requires a number of costly repairs to operate and maintain. The Operator is being paid, but only necessary repairs are being made to keep the water plant functioning. Presently, the costs recoverable over the long term are from the sale of SunDale properties and payment by current SunDale property owners.

Legal / Appeal Costs

During 2017 and 2018 the RM has experienced significant legal costs associated with council meeting process, council conduct and petitions.

Development Appeals by ratepayers developing contrary to the RM Zoning Bylaw reflect a cost of \$80,500, for legal and appeal work.

Lagoon

Concerns were reported that the lagoon reserves were used for operational costs. The RPA's viewpoint is that the reserves should have been used to pay down the lagoon long term debt. There is a repayment schedule based on an amortization of 15 years, commencing on September 1, 2017, and the balance shall be repayable on August 1, 2031.

Last Mountain Landfill (LMLF)

In speaking with the chairperson for the Last Mountain Regional Landfill, it was indicated there was an outstanding issue with GST and the CRA. In 2016 and 2017, Cogent audited the records of the LMLF as a separated engagement due to the Authority's status. The landfill could be treated as a public body, as a para-municipal organization with the proper application to CRA. As such they should qualify for the GST and be treated the same way as a municipal body. This status would qualify for a refund. The auditor indicated no theft or misappropriation was found during his two audits.

7. Findings – Matters Concerning Council Conduct

When meeting with individual council members and individual ratepayers, it is evident that they have lost confidence in the RM council.

Public Notice was given to temporarily reduce the RM office hours from November 20, 2017, to February 16, 2018, to allow for an administrative review and improvement to office services. During this period the RM office was open one day per week on Mondays from 9:00 am to 4:00 pm for personal visits.

Under clause 3(2)(d) of *The Municipalities Act*, it provides that “municipalities are accountable to the people who elect them and are responsible for encouraging and enabling public participation in the governance process”.

Representatives from the RPA regularly publish newsletters to the RM ratepayers because ratepayers feel it is very difficult to access RM information.

Council Operation and Functionality

It is clear from the interviews that the RM is divided, and this has placed stress on both the stability of council and its administration. The RM has a large number of resort communities along the lakeshore within the RM comprising of nine (9) Organized Hamlets and eleven (11) Unorganized Hamlets. The services needed by the resort communities are different from the rest of the RM.

The RM appoints legal counsel as administrator or has its legal counsel present at many council meetings due to council member conflicts. These conflicts are evident in the minutes. Some of the conflict is related to the different servicing needs in the RM.

The RM administrator and some office staff are/were on contract. On August 16, 2018, the council terminated the administrator's contract. The two other staff resigned on August 20,

2018. The administrator was on a three-month contract. Under RM Bylaw No. 325/2017, the Administration bylaw, section 9.1 sets out a contract period of not longer than three months.

Council has passed a Procedural Bylaw and Code of Ethics Bylaw as required under the Act. Subject to the bylaws, council must keep in confidence matters discussed in private or to be discussed in private at a council or council committee meeting until discussed at a meeting held in public. Some members of council allegedly have failed to meet these legislative requirements, as inspectors were informed that council meeting documents have been made available to the public prior to council meetings.

All members of council signed their oath of office. When signing their oath of office council must abide by a code of ethics and council procedural plan.

Council Meeting Information

To assist council with carrying out its legal responsibilities, the administrator must ensure the necessary advice and information is provided to council members. All council members were not sent meeting documents at the same time. The reeve believed under the Council Member Code of Ethics Bylaw he had the authority to change the delivery method to some members of council to minimize the possibility of council meeting documents being leaked to the public prior to the council meeting

At a meeting on May 22, 2018, one member of council was ejected from the meeting. The reeve ruled that the council member must leave immediately and is ejected from the municipal office for 10 business days. The council member left the meeting as ordered. The reeve ruled under Section 38.8 of the RM's Procedure Bylaw, which relates to Conduct of Members.

Most council meetings start with an in-camera session, and although the minutes' state the purposes as described in *The Municipalities Act*, the ratepayers indicate that council is operating "behind closed doors" and working in secret.

PART III: RECOMMENDATIONS

Boundary Alterations

Due to the fact that there is a pending vote on the boundary alteration matters, council should follow through with this action and voters should be allowed to express their support on the question and the outcome of the vote will be used by the RM in future electoral division boundary alteration discussions and decision making. The vote will happen on October 24, 2018.

Financial Audit and Management Audit

On June 1, 2018, the RM put forth a list of items to the representative of the petitioners (RPA) indicating what should be included in the Request for Proposal (RFP) for a Financial and Management Audit.

Below is a modified version of the items that the RM put forward, that attempts to address the concerns of the petitioners and provide answers on the how the funds were spent and on management issues around the Landfill and Lagoon.

It is understood that some citizen proposals are for the audits to begin back in 2008. As a result of the inspection, going back to 2008 seems unrealistic. Schedule "A" in the minister's Order for the inspection only authorized a cursory inspection. It is recommended this modified version noted below be utilized to get these necessary audits complete.

The RM and the representative of the petitioners are encouraged to continue to work together to arrive at the potential scope of the audits to satisfy the request of the petitioners

Financial Audit Items

- 1) Investigation of payments made to the RM of McKillop No. 220 councillors and/or their family members to determine if any payments have been made for personal services contract work, without resolutions being made at Council meetings;
- 2) Investigation of the former Administrator's contract and invoices to determine if the yearly amount paid to this contractor is significantly higher than what was agreed to in the original contract;
- 3) Investigation of RM purchases relating to the:
 - a. LIDAR survey;
 - b. Cost of land purchasing NW 25-23-23-W2nd;
 - c. RM administration office computer system management changes; and
 - d. RM office repairs to determine if resolutions exist approving these purchases;
- 4) A financial analysis comparing the 2017 and 2018 approved budgets to the actuals. This would include capital and long-term debt amounts, as well as reserve activity and impacts. The analysis would look at the authorization by resolution and organized hamlet policy.
- 5) Investigation of the lagoon construction project relating to the
 - a. Funding of the project; and
 - b. Operation of the facility;
- 6) Investigation into the management of the Last Mountain Regional Landfill by the RM of McKillop No. 220 and the financial responsibility of the RM ratepayers for the landfill;
- 7) Investigation of the management of the RM of McKillop No. 220 assets and determination of the general appropriateness of the fiscal management of the RM; and

- 8) Investigation to ensure during 2016 to 2018 the funds of the RM were disbursed in a manner and to those person as directed by bylaw or resolution of the RM council.

Management Audit Items

A management audit would assist council that is deficient in policies and bylaws. The policies, bylaws and tools are in place, but the council cannot efficiently operate within those rules because council does not have cooperation amongst its council members to move forward effectively.

- 1) Investigation of the closed session meetings held by Council to determine if these meetings are justified and held with good reason;
- 2) Investigation of the Public Disclosure Statements filed by each council member of the RM of McKillop No. 220.

It is recommended that the RM proceed with these audits.

Sun Dale Utility Rate Bylaw

It is recommended that the minister direct the RM to consult with the hamlet ratepayers and other applicable parties, to find options that are acceptable with residents and can be approved by the Saskatchewan Municipal Board (SMB).

RM Council Supervision

Knowing that three seats on council are up for election in October 2018, it is recommended that a supervisor be appointed and following the election work with council members in an effort to get the RM back on track.

If the above actions do not improve the functioning of the RM during the supervisor's appointment, the minister should consider if it is in the public interest to take further actions under section 399 of the Act. This includes issuing directives to council, and the ability to dismiss municipal officials. This would allow for wiping the slate clean and having elections for a new council. Provided below are some details for the minister to consider in the appointment of a supervisor.

1. That a person be appointed by the minister to supervise the RM pursuant to subsection 400(1) of *The Municipalities Act* until December 31, 2019. The appointed supervisor would be expected to:
 - a. support and guide the council in an effort to ensure it complies with legislation regarding council meeting processes, and that council operates in an open and accountable manner with the public,
 - b. attend council meetings and advise council in municipal governance and legislative responsibilities, to enhance their information and decision process,
 - c. educate council regarding transparent governance,
 - d. educate any newly elected council this fall in municipal governance,
 - e. be provided the ability or authority to veto council decisions that are outside of legislation, and
 - f. report to the ministry regularly as required.

Financial Health of the RM

The RM does not currently have massive debt; they have the ability to borrow more as their debt is currently lower than the RM's debt limit.

During May and June of 2017, the RM cashed in term deposits designated for the Lagoon Special Levy reserve in the amount of \$483,732 (incl. interest) that were scheduled to mature on January 4, 2018. The funds were transferred to the RM chequing and utilized in the operation of the RM. This cursory inspection was unable to discover a resolution of council authorizing the transfer.

Legislation does not restrict an RM on the use of its reserves for operation or capital purposes, and this report is not meant to indicate an opinion on the financial impacts of this decision.

As a recommendation of this report, the RM should consider passing a bylaw to control the use of the designated appropriated reserves. This would recognize the intent of the reserve and assist future administrators and councils with understanding the options available to the RM when considering the use of its reserves.

The RM should utilize the Organize Hamlet Guide from the province to assist with an analysis that would ensure the organized hamlets pay their fair share of RM costs. This information should also be made available to the public.

The inspection noted some road agreements with Resort Villages, however, this was a concern raised in the interviews with RM council members. The RM needs to initiate further discussions with neighboring Resort Villages in regard to road maintenance costs and road cost sharing agreements.

Open and Accountable RM Council with Public

To get things back on track, council needs to operate in an open and accountable manner with the public.

In reference to part III of the Code of Ethics for Members of Council in the Regulations to the Act:

- Members of council shall be truthful and open in their roles as council members and as members of the RM;**
- Members of council shall make decisions carefully, fairly and impartially;**
- Members of council shall treat every person including other members of council, municipal employees and the public with dignity understanding and respect;**
- Members of council shall not engage in discrimination, bullying or harassment in their roles as members of council; and**
- Members of council shall endeavour to conduct and convey council business in an open and transparent manner other than those discussions that are authorized to be dealt with in confidential manner in closed sessions.**

APPENDIX 1 – Legislative Responsibilities

In order to understand and document any management deficiencies that occurred as a result of actions or lack of action by the RM council, it is necessary to take a look at *The Municipalities Act* (the Act) and the expectations set out for council and administration.

Council

The RM council derives its authority from the Act. The municipal council is responsible for shaping the future of the municipality by implementing policies, bylaws and community goals. The Act does not permit individual members of council to make decisions on their own, unless specifically authorized by bylaw or resolution of council.

The Act is considered “permissive” legislation and provides municipalities with “areas of jurisdiction” and “natural person powers”. Municipalities are considered corporations and have the powers, rights, and privileges of a “natural person” for the purpose of carrying out or administering its activities unless those powers are limited by legislation.

Council is responsible to follow all applicable legislation. The list of legislative requirements below is not exhaustive, and identifies those most pertinent to the inspection:

1. Council must adopt and make publicly available a code of conduct for employees of the RM that includes conflict of interest rules (s. 111.1 of the Act).
2. The municipality’s assessment is confirmed by SAMA each year.
3. All meetings are held in public, with the exception of following required procedures for moving into closed or “in-camera” sessions.
4. Public notice is provided when a regular meeting date is changed:
 - a. Public notice bylaw is adopted;
 - b. Public notice is provided prior to considering any report or matter listed in clause 127(b), (e), (i), (j), (m), (o), (p) or (s) of the Act.
5. An operating and capital budget is adopted each year prior to authorizing the tax levy
6. The municipality’s audited financial statement and the auditor’s report is submitted to the minister by July 1st (s. 186 of the Act).
7. An auditor is appointed by the RM and its controlled corporations (s. 188 the Act).
8. A tax levy is authorized on all assessments of the RM.
9. A water rate policy is adopted by bylaw or resolution.
10. If the administrator reports to the council that a petition from the voters, requesting a financial audit or management audit is sufficient, the council shall at its next meeting pass a resolution to engage the services of an auditor who meets the requirements of the Act to conduct the audit.
11. Council may prepare and adopt a capital works plan for a period of not less than five years, including the current year (s. 157 the Act).

Administration

One of the most important aspects of good municipal government is an effective working

relationship between council and the administration. The key role of council is to provide leadership and set policy. The administrator is a policy advisor and ensures councils policies are carried out.

The administrator also has responsibilities in legislation. The list of legislative requirements below is not exhaustive, and identifies those most pertinent to the inspection:

1. The administrator shall take charge of and safely keep all books, documents and records of the municipality that are committed to his or her charge and shall:
 - a. produce, when called for by the council, auditor, minister or other competent authority, all books, vouchers, papers and moneys belonging to the municipality; and
 - b. on ceasing to hold office, deliver all books, vouchers, papers and moneys belonging to the municipality to his or her successor in office or to any other person that the council may designate.
2. All minutes of council meetings are recorded.
3. The minutes of each council meeting are given to council for approval at the next regular council meeting.
4. The council is advised of its legislative responsibilities pursuant to the Act or any other applicable legislation.
5. The official correspondence of the council is carried out in accordance with council's directions.
6. 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.
7. 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.
8. 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.
9. The financial statements and information that the council may, by resolution, request are submitted to the council.
10. On or before June 15 in each year a financial statement is completed as required by section 185 of the Act.
11. An annual financial statement for the revenues and expenditures of an additional service area is presented to council.
12. The administrator shall determine the sufficiency of the petition and that determination is final (s. 129(3) the Act).

Municipal Documents

There are also legislative requirements in section 115 of the Act pertaining to municipal documents.

1. Minutes of council meetings must be signed by:
 - (a) the person presiding at the meeting at which the minutes are approved; and
 - (b) the administrator or the administrator's designate.
2. Bylaws must be signed by the reeve and the administrator.
3. Agreements must be signed by at least two persons designated by council.
4. Cheques and other negotiable instruments must be signed by the administrator and at least one other person designated by council.

Handling Petitions

The Municipalities Act

Petition for referendum

132(1) Voters in a municipality may petition for a referendum on a bylaw or resolution on any matter within the jurisdiction of the council pursuant to this Act, except for the following:

- (a) the adoption of an operating budget;
- (b) the adoption of a capital budget;
- (c) the authorization of the tax levy in accordance with section 283.

(2) A council that receives a petition requesting a referendum signed by the greater of 15% of the population or 25 voters of the municipality shall submit the request for a referendum to a vote in accordance with sections 133 to 138.

(3) Only voters of the municipality are eligible to be petitioners.

Requirements for petition

133(1) A petition for a referendum must consist of one or more pages, each of which must contain:

- (a) an identical statement of the purpose of the petition; and
- (b) a statement to the effect that, by signing the petition, the petitioner is attesting that he or she is a voter of the municipality and has not previously signed the petition.

(2) The petition must include, for each petitioner:

- (a) the printed surname and printed given names or initials of the petitioner;
- (b) the petitioner's signature;
- (c) the petitioner's street or road address or the legal description of the land located within the municipality on which the petitioner's right to be a voter is based; and
- (d) the date on which the petitioner signs the petition.

(3) Each signature must be witnessed by an adult person who shall sign opposite the signature of the petitioner.

(4) The petition must have attached to it a signed statement of a person stating:

- (a) that the person is the representative of the petitioners;
- (b) that the municipality may direct any inquiries about the petition to the representative; and
- (c) the date on which the first signature was collected.

(4.1) No signatures collected before the date mentioned in clause (4)(c) shall be included in the petition.

(4.2) For the purposes of clauses (2)(d) and (4)(c), the date must include the month, day and year.

(5) The petition must be filed with the administrator within 90 days after the date on which the first signature is obtained on the petition.

Counting petitioners

134(1) The administrator is responsible for determining if a petition for a referendum is sufficient.

- (2) No name may be added to or removed from a petition after it has been filed with the administrator.
- (3) In counting the number of petitioners on a petition, the administrator shall exclude the name of any person:
 - (a) whose signature is not witnessed;
 - (b) whose signature appears on a page of the petition that does not have the same purpose statement that is contained on all the other pages of the petition;
 - (c) whose printed name is not included or is incorrect;
 - (d) whose street or road address or legal description of land is not included or is incorrect; whose signature is not accompanied by the date on which the person signed the petition, or the date is incomplete; or who signed the petition before the date mentioned in close 133(4)(c).
- (4) Instead of verifying that the requirements of subsection (3) have been met with respect to each petitioner, an administrator may use a random statistical sampling method with a 95% confidence level to determine the sufficiency of the petition.
- (5) An administrator shall not use a random sampling method to determine the sufficiency of the petition as provided for in subsection (4) if the administrator has already excluded the name of any person pursuant to subsection (3).
- (6) An administrator may apply to the court for direction as to the sufficiency of the petition.

Report on sufficiency of petition

135(1) Within 30 days after the date on which a petition for a referendum is filed, the administrator shall report to the council on whether the petition is sufficient or insufficient.

- (2) The administrator's determination as to sufficiency or insufficiency is final.
- (3) If a petition is not sufficient, the council is not required to take any notice of it.

Council's duty on receiving sufficient petition

136(1) If the administrator reports to council that a petition for a referendum is sufficient, the council shall take any steps that it considers necessary to submit to the voters a bylaw or resolution in accordance with the request of the petitioners.

The council shall submit the bylaw or resolution to the voters;

before the end of the year in which the petition is filed, if the petition is filed with the administrator:

on or before July 1 in the year in which a general election is held pursuant to section 10 of The Local Government Election Act, 2015; or

The wording of the draft bylaw or resolution as it will appear on the ballot must be set by council at least eight weeks before the vote.

A council is not required to submit a bylaw or resolution to a referendum if the council passes a bylaw or resolution that accords with the bylaw or resolution requested in the petition before the referendum would otherwise have to be conducted.

If a referendum is conducted on a bylaw or resolution, the council may refuse to receive any further petition on the same or a similar subject filed within three years after the date of the vote.

Results of referendum

137(1) If a proposed bylaw or resolution is approved by a vote at a referendum by a majority of the persons voting whose ballots are not rejected, the council shall pass the bylaw or resolution at the first meeting following the vote.

If a majority of the persons voting at a referendum do not approve the proposed resolution or bylaw, the council is not required to pass the proposed resolution or bylaw, but the council may pass the proposed resolution or bylaw if it chooses to do so.

Application to court

138(1) A council may apply to the court for direction if the council is of the opinion that:

The wording of a petition is unclear;

Two or more petition received are in conflict; or

For any other reason respecting a referendum, the direction of the court is required.

The application to the court shall be made within 30 days after the report of the administrator as to the sufficiency of the petition or petitions.

The application shall be served on the persons named in the petition or petitions as the representatives of the petitioners.

The court may make any order that it considers appropriate, and any order made by the court shall govern the referendum vote.

Voting

The Local Government Elections Act, 2015

Interpretation

2(1) In this Act:

“voter” means a person described in section 36 who is eligible to vote in an election;

Eligibility to vote

36(1) A person is eligible to vote in a municipality or school division who, on election day;

is a Canadian citizen;

is at least 18 years of age;

in the case of a rural municipality;

has resided in the municipality for at least three consecutive months immediately preceding the day of the election;

is the assessed person with respect to property situated in the municipality pursuant to section 207 of The Municipalities Act; is the occupant of a trailer or mobile home in the municipality that is the object of a permit required pursuant to section 306 of The Municipalities Act; is the spouse of a person mentioned in subclause (ii) or (iii); or is the chief executive officer of a duly incorporated co-operative, corporation or religious association that is assessed on the last revised assessment roll with respect to property in the rural municipality that is not exempt from taxation.

Advance polls

83(3) If requested by a petition signed by a least five voters at least 30 days in advance of election day, the returning officer of a rural municipality shall establish one or more advance polls for voters to cast their votes in advance of election day.

83(4) The returning officer may:

(a) authorize the establishment of one or more advance polls outside the municipality or school division, as the case may be, for voters to cast their votes in advance of the day appointed for the holding of an election; and

(b) Authorize the establishment of one ore advance polls in accordance with section 29.

83(5) Subject to subsection (6), respecting an advance poll established pursuant to subsection (1) to (4), the returning shall set the days and hours during which the advance poll is open.

(2) An advance poll mentioned in subsection (5) must be open at least three days but not more than 15 days before election day.

Financial and Management Audits

In order to better understand the different type of audits referred to in legislation, below is some information to detail and clarify the purpose and scope of these audits.

1. Annual Financial Statements & Auditor's Report (185(1) of the MA)

• Improper or unauthorized transactions	• Theft or misappropriation of funds
• Non-compliance with the MA, bylaws	• Error
• Fraud	• Debit Limit

The purpose of the annual municipal audit is to add credibility to the reported municipal financial position and performance of the RM. Ultimately, the auditor must be satisfied that the financial statements of the RM present fairly in all material respects the financial position and results of its operations and cash flows in accordance with generally accepted accounting principles for public sector entities.

2. Financial Audit (140(1) of the MA) (*Forensic Audit*)

• Improper or unauthorized transactions	• Theft or misappropriation of funds
• Non-compliance with the MA, bylaws	
• Fraud	

A forensic audit and a financial statement audit have separate objectives that do not overlap. A forensic audit would be requested if you suspect asset-theft fraud or misappropriation of assets. Forensic accounting is a specialized branch of accounting that requires training in fraud detection. A forensic auditor examines a company's system of internal controls to identify any weaknesses in the controls designed to safeguard assets and to determine whether anyone in the company has exploited control weaknesses to misappropriate assets for personal gain.

3. Management Audit (140(2) of the MA)

<ul style="list-style-type: none"> • Review performance and operation 	<ul style="list-style-type: none"> • Recommend appropriate solutions
<ul style="list-style-type: none"> • Evaluate operations to determine if they are undertaken economically, efficiently and effectively 	<ul style="list-style-type: none"> • Investigate and identify issues related to the policy, organization, operation or administration of the municipality

A Management Audit is the systematic examination of decisions and actions of the management of an organization to analyze its performance (*council and administration*). It mainly examines non-financial data and action in order to audit the efficiency of the management team. It evaluates the organization's managerial aspects like organizational objectives, policies, procedures, structures, controls and systems in order to check the efficiency or performance of the management over the activities of the organization. The aim of the audit is to draw lessons for the future.