

Management's Responsibility for Financial Reporting

To the Beneficiaries of the
Rural Municipal Specific Claims Tax Loss Compensation Trust Fund

Management has responsibility for preparing the accompanying financial statements and ensuring that all information in the annual financial report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations.

In discharging its responsibilities for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets safeguarded, and proper records maintained.

Ultimate responsibility for financial statements lies with the trustee who reviews financial statements in detail with management prior to their approval of the financial statements for publication.

The trustee appoints external auditors to audit the financial statements and report directly to the beneficiaries. Their report follows. The external auditors have full and free access to, and meet periodically and separately with, the trustee.



Laurel Feltn
Executive Director



Catherine Patterson, CPA, CA
Director of Finance



Independent Auditor's Report

To the Beneficiaries

Rural Municipal Specific Claims Tax Loss Compensation Trust Fund

Opinion

We have audited the financial statements of Rural Municipal Specific Claims Tax Loss Compensation Trust Fund, which comprise the statement of financial position as at December 31, 2024 and the statements of operations, fund balance and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2024, and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Saskatchewan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report continued

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

February 12, 2025
Regina, Saskatchewan

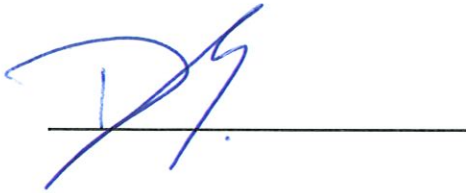
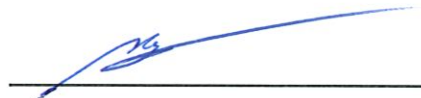
VIRTUS GROUP LLP
Chartered Professional Accountants

**Rural Municipal Specific Claims Tax Loss Compensation Trust Fund
Statement of Financial Position**

At December 31, 2024
(with comparative figures at December 31, 2023)

	2024	2023
Assets		
Current Assets		
Cash	\$ 140,413	\$ 118,751
Amounts Receivable	-	15,855
Accrued Interest & Dividends Receivable	20,227	19,628
Investments ^{Note 3}	2,862,515	3,291,729
	3,023,155	3,445,963
Long-Term Assets		
Investments ^{Note 3}	2,957,528	2,171,439
Total Assets	\$ 5,980,683	\$ 5,617,402
Liabilities & Fund Balance		
Current Liabilities		
Amounts Payable	\$ 4,066	\$ 4,107
Accrued Investment Management Fees	201	194
	4,267	4,301
Fund Balance		
Restricted Fund Balance	5,976,416	5,613,101
Total Liabilities & Fund Balance	\$ 5,980,683	\$ 5,617,402

Approved by the Board:

The accompanying notes are an integral part of the financial statements.

**Rural Municipal Specific Claims Tax Loss Compensation Trust Fund
Statement of Operations and Fund Balance**

For The Year Ended December 31, 2024

(with comparative figures for the year ended December 31, 2023)

	2024	2023
Revenues		
Municipal Contributions	\$ -	\$ 15,855
Investment Income: ^{Note 4}		
Realized Investment Income	228,731	156,764
Unrealized Change in Market Value	318,265	209,094
Total Revenues	546,996	381,713
Expenses		
Payments to Rural Municipalities	170,349	168,442
SARM Administration Fee	8,966	8,865
Audit Fees and Other Expenses	4,366	4,411
Total Expenses	183,681	181,718
Surplus	363,315	199,995
Fund Balance - Beginning of Year	5,613,101	5,413,106
Fund Balance - End of Year	\$ 5,976,416	\$ 5,613,101

**Rural Municipal Specific Claims Tax Loss Compensation Trust Fund
Statement of Cash Flows**

For The Year Ended December 31, 2024

(with comparative figures for the year ended December 31, 2023)

	2024	2023
Operating Activities		
Surplus	\$ 363,315	\$ 199,995
Investment Items Not Affecting Cash:		
Amortization of Discount on Investments	(27,242)	(18,457)
Unrealized Change in Market Value	(318,265)	(209,094)
Change in Non-Cash Current Assets	15,256	(9,288)
Change in Non-Cash Current Liabilities	(34)	(474)
Cash Provided (Used)	33,030	(37,318)
Investing Activities		
Change in Investments	(11,368)	(62)
Decrease In Cash Position	21,662	(37,380)
Cash, Beginning of Year	118,751	156,131
Cash, End of Year	\$ 140,413	\$ 118,751

The accompanying notes are an integral part of the financial statements.

Rural Municipal Specific Claims Tax Loss Compensation Trust Fund
Notes to the Financial Statements
December 31, 2024

Purpose

The Rural Municipal Specific Claims Tax Loss Compensation Trust Fund (Trust Fund) was established pursuant to Article 2 of the Rural Municipal Specific Claims Agreement between Saskatchewan and the Saskatchewan Association of Rural Municipalities (SARM) dated May 25, 2000. The purpose of the Trust Fund is to:

- (a) Receive the payment to be made by Saskatchewan pursuant to section 3 of the Agreement,
- (b) Receive, from rural municipalities, specific claims tax loss compensation paid by First Nations to rural municipalities, and
- (c) Disburse payments to rural municipalities that lose tax revenue due to lands which had been situated within the municipality being set apart as reserves pursuant to the settlement of specific claims.

The specific claims funding, administered through the Trust Fund, results from negotiations by Canada with certain First Nations in Saskatchewan for the settlement of their specific claims against Canada. The specific claims settlement agreements with the First Nations may provide that the First Nation is entitled to acquire by purchase a certain number of acres of land to which Canada is prepared to grant reserve status.

The beneficiaries of the Trust Fund are the rural municipalities that lose tax revenue due to lands being set apart as reserves pursuant to the settlement of specific claims. The Agreement designates SARM as the trustee. The Agreement provides that SARM is entitled to deduct 5% of the tax loss compensation due to rural municipalities pursuant to the Agreement for the administrative expenses that it incurs in the operation of the Trust Fund.

The Trust Fund is exempt from income tax.

1. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following significant policies:

(a) Revenue Recognition

- (i) Contributions are received from rural municipalities. The contributions are the amounts received by the rural municipality from the First Nation for lands set apart as reserves. The Rural Municipal Specific Claim Tax Loss Compensation Trust Fund is a restricted fund, and contributions are recognized as revenue in the year in which the title for the applicable lands is transferred to the name of the Crown. If the lands set apart as a reserve were already in the name of the Crown, the effective date of the transfer is the date of the order authorizing the transfer.
- (ii) Investment income is income allocated from the investment pool (see Notes 3 & 4).

Investment income for term investments (non-viability contingent capital (NVCC) subordinated debt investments, other fixed income debt investments, and structured

Rural Municipal Specific Claims Tax Loss Compensation Trust Fund
Notes to the Financial Statements
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(a) Revenue Recognition (continued)

notes) includes interest earned in the year (accrued or received), amortized premium and discount, realized gains or losses on the sale of investments, and the unrealized change in the market value of the investments. Purchase premiums and discounts are amortized on a straight-line basis over the term of the earlier of the maturity or call date NVCC Subordinated Debt and other fixed income debt investments that earn interest have effective interest rates ranging from 1.67% to 5.23% (2023 – 1.67% to 4.85%).

Investment income for externally managed portfolio investments (money market and fixed income exchange traded funds (ETF), Canadian equities and trust units and non-Canadian equities) includes dividends earned in the year (accrued or received), realized gains or losses on the sale of investments, and the unrealized change in the market value of the investments.

Investment income on the internal loan is interest earned in the year (accrued or received).

The allocated investment income is net of investment management fees. The fees are based on the average daily market value of the assets. The fee rates are 0.5% (2023 – 0.5%) for structured notes, 0.15% (2023 – 0.15%) for NVCC Subordinated Notes and other term investments, and 0.69% (2023 – 0.69%) for the externally managed portfolios. There are no fees for the internal loan.

(b) Financial Instruments

The Trust Fund initially measures its financial assets and financial liabilities at fair value.

Financial assets subsequently measured at fair value are cash, contributions receivable, term investments (including NVCC subordinated debt investments, other fixed income debt investments, and structured note investments), and portfolio investments. Financial liabilities subsequently measured at fair value are accounts payable and accrued liabilities. The fair value of contributions and amounts receivable and amounts payable approximate their carrying value due to their nature or capacity for prompt liquidation. The fair value of term and portfolio investments is market value, with the market value as reported by CIBC Wood Gundy.

At the end of each reporting period, the Trust Fund assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. When there is an indication of impairment that has a significant adverse change in the expected timing or amount of future cash flow from a financial asset, the carrying amount of the asset is reduced to the net realizable value. There are no financial assets that have been recorded at net realizable value.

Investments are reported on the Statement of Financial Position as either current assets or long-term assets. Investments classed as current assets are term investments that mature within one year, money market ETF investments, short-term fixed income ETF investments, and equity and trust unit investments. Term investments with maturities

Rural Municipal Specific Claims Tax Loss Compensation Trust Fund
Notes to the Financial Statements
December 31, 2024

(b) Financial Instruments (continued)

greater than one year, the internal loan, and mid to long-term fixed income ETF investments are classified as long-term assets.

(c) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and the reported amount of revenues and expenses during the reporting period. Management reviews all significant estimates affecting the financial statements. The significant estimates that affect the financial statements are the market values used in the valuation of investments and estimates for the assessed value of properties. These estimates have implications on the valuation of certain investments, the determination of investment income and the calculation of the tax loss payments to rural municipalities.

2. Financial Risk Management

The Trust Fund has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The significant financial risks to which the Trust Fund is exposed are:

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Trust Fund is exposed to credit risk with respect to cash and investments. The investment pool has cash balances of approximately \$1.4 million and investments of approximately \$57.7 million. The investments are invested in the debt of financial institutions or fixed income ETFs (57.5% of the total), and equity investments and structured notes where the principal is at risk (42.5% of the total). The credit risk for term investments is minimized by ensuring that these assets are invested in financial obligations of major financial institutions that have been accorded investment grade ratings by a primary rating agency. The credit risk is further minimized by establishing investment policies that set limits on the investments by sector, by issuer, and the term of the investments. The credit risk for equity investments is minimized through engaging external investment managers to actively manage these investments.

(b) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Trust Fund meets its liquidity risk by monitoring cash flows from operations along with the cash flow of the investment pool.

(c) Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Exposure to price risk exists for the investments as they are measured at market value. The entities that comprise the

Rural Municipal Specific Claims Tax Loss Compensation Trust Fund
Notes to the Financial Statements
December 31, 2024

(c) Price Risk (continued)

investment pool typically do not require cash that would necessitate the sale of term investments. Equity investments are considered a prudent long-term investment and given the limited potential to require disposal of investments to meet cash obligations, the investment pool is well positioned to weather market fluctuations that will inevitably occur.

The Trust Fund does not use any derivative financial instruments to alter the effects of this risk.

3. Investments

The investment pool includes investments of the Rural Municipal Specific Claims Tax Loss Compensation Trust Fund, SARM (General Fund and Insurance & Benefit Restricted Funds), and the Rural Municipal Tax Loss Compensation Trust Fund. The assets and liability attributed to each fund are apportioned based on the investment of each fund in the pool as of the end of the year and is reflected in each fund's statement of financial position. The apportionment of investment income is attributed to each fund based on the investment of each fund in the pool throughout the year and is reflected in each fund's statement of operations. The Trust Fund's share of the assets of the investment fund as of December 31, 2024, was 10.1% (2023 – 9.7%).

The following table provides a summary of the Trust Fund's share of the investments in the investment pool by type of asset. The investments are measured at market value, as reported by CIBC Wood Gundy, as of December 31, 2024.

	<u>2024</u>	<u>2023</u>
Current Assets		
Money Market ETFs	\$ -	\$ 62,328
NVCC Subordinated Debt	-	719,763
Short Term Fixed Income ETFs	598,786	599,460
Canadian Equities and Trust Units	1,918,390	1,689,732
Non-Canadian Equities	345,339	220,446
	<u>2,862,515</u>	<u>3,291,729</u>
Long Term Assets		
NVCC Subordinated Debt	710,728	470,381
Other Term Debt	579,875	302,023
Structured Notes - At Risk	209,471	194,151
Structured Notes - Protected	621,727	520,359
Mid to Long Term Fixed Income ETFs	835,727	597,996
Internal Loan	-	86,529
	<u>2,957,528</u>	<u>2,171,439</u>
Total Investments	<u>\$ 5,820,043</u>	<u>\$ 5,463,168</u>

The investment pool is managed within the investment policy adopted by SARM, which limits total equity investments to 40% of the investment fund (investments and cash balances), and total non-Canadian equity investments to 15% of the investment fund. As of December 31,

Rural Municipal Specific Claims Tax Loss Compensation Trust Fund
Notes to the Financial Statements
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3. Investments (continued)

2024, total equities were 41.4% (2023 – 37.6%) of the investment fund and non-Canadian equities were 5.8% (2023 – 3.9%) of the investment fund.

The Investment Consulting Service of CIBC Wood Gundy manages equity portfolios. There are two managed funds, a Canadian Core Balanced portfolio, and a North American Yield Balanced portfolio. As of December 31, 2024, the externally managed portfolios are invested 0.0% (2023 – 2.0%) in money market ETFs, 38.8% (2023 – 37.8%) in fixed income ETFs, 51.9% (2023 – 53.3%) in Canadian equities or trust units, and 9.3% (2023 – 7.0%) in non-Canadian equities.

Term investments are managed internally with support through CIBC Wood Gundy. Term investments include NVCC subordinated debt investments, other term debt investments, and structured notes. There are ten structured notes, two with the principal at risk and eight with the principal protected. As of December 31, 2024, the maturity timeframes for the term investments are:

- Term investments with terms of up to 1 year, 0.0% (2023 – 12.8%).
- Term investments with terms of 1 to 3 years, 7.5% (2023 – 6.0%).
- Term investments with terms over 3 years, 27.9% (2023 – 20.6%).

4. Investment Income and Expense

The apportionment of investment income and expense is attributed to each fund based on the investment of each fund in the pool throughout the year and is reflected in each fund's statement of operations. The following table provides a summary of the Trust Fund's share of the investment income for 2024 and 2023.

	2024	2023
Term Investments		
Interest	\$ 53,282	\$ 36,381
Amortization of Discount	27,242	18,457
Realized Gain on Sales	705	-
Unrealized Change in Market Value	45,122	75,636
Portfolio Investments		
Dividends	109,312	100,686
Realized Gains on Sales	56,527	17,207
Unrealized Change in Market Value	273,142	133,458
Internal Loan Interest	1,491	3,237
Investment Account Interest	7,752	5,823
Investment Management Fees	(27,578)	(25,027)
Investment Income	546,997	365,858
Investment Income Net of Fees	171,500	139,557
Realized Gains on Sales	57,231	17,207
Unrealized Change in Market Value	318,265	209,094
Investment Income	\$ 546,996	\$ 365,858

Rural Municipal Specific Claims Tax Loss Compensation Trust Fund
Notes to the Financial Statements
December 31, 2024

5. Bank Indebtedness

SARM has an authorized line of credit of \$500,000 with the Canadian Imperial Bank of Commerce that can be drawn on by SARM for the purpose of its operations or those of the Trust Fund. The amount drawn on the line of credit bears interest at the bank prime rate. As of December 31, 2024, there is no bank indebtedness for the Trust Fund.

6. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.