

Annual Report for 2022-23

School Division Tax Loss Compensation Fund

Letters of Transmittal

His Honour, the Honourable Russ Mirasty,
Lieutenant Governor of Saskatchewan



The Honourable
Dustin Duncan
Minister of Education

May it Please Your Honour:

I respectfully submit the Financial Statements of the School Division Tax Loss Compensation Fund for the fiscal year ending March 31, 2023.

A handwritten signature in black ink, appearing to read 'Dustin Duncan', with a long horizontal flourish extending to the right.

Dustin Duncan
Minister of Education



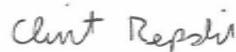
Clint Repski
Deputy Minister of
Education

The Honourable Dustin Duncan
Minister of Education

Dear Minister:

I have the honour of submitting the Financial Statements of the School Division Tax Loss Compensation Fund for the fiscal year ending March 31, 2023.

As Deputy Minister of Education, I acknowledge responsibility for the financial administration and management control of the Ministry. I further take responsibility for our Ministry's public accountability and ensure that the information and content of the 2022-23 Financial Statements is meaningful, complete and accurate.

A handwritten signature in black ink, appearing to read 'Clint Repski', written in a cursive style.

Clint Repski
Deputy Minister of Education

Management's Responsibility for the Financial Statements

Management of the School Division Tax Loss Compensation Fund is responsible for the accompanying financial statements. The School Division Tax Loss Compensation Fund maintains a system of accounting and administrative controls to ensure that accurate and reliable financial statements are prepared and to obtain reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are maintained.

Management of the School Division Tax Loss Compensation Fund prepares these statements in accordance with Canadian public sector accounting standards, as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants (CPA) Canada.

The Provincial Auditor expresses an independent opinion on these statements. Their report provides the scope of their audit and states their opinion.

Enclosed are the financial statements of the School Division Tax Loss Compensation Fund for the year ended March 31, 2023, and the Provincial Auditor's report on these financial statements.

On behalf of the School Division Tax Loss Compensation Fund,



Clint Repski
Deputy Minister of Education

July 20, 2023

The Honourable Dustin Duncan
Minister of Education
Room 361, Legislative Building
Regina, SK S4S 0B3

(via Email)

Dear Honourable D. Duncan:

**Re: School Division Tax Loss Compensation Fund
Financial Statements**

We enclose the financial statements of the School Division Tax Loss Compensation Fund for the year ended March 31, 2023 and our report on these financial statements.

We issue audited financial statements and other final documents electronically using the Office's secure file-share program. Please whitelist the email account saskauditor@auditor.sk.ca to ensure it is not blocked or sent to junk.

Yours truly,



Tara Clemett, CPA, CA, CISA
Provincial Auditor

Enclosure

cc: (via Email)

The Honourable D. Harpauer, Chair, Treasury Board
M. Hendricks, Secretary, Treasury Board
C. Bayda, Provincial Comptroller, Ministry of Finance
C. Repski, Deputy Minister, Ministry of Education
J. Pirlot, Assistant Deputy Minister, Ministry of Education
R. Shaw, Executive Director, Corporate Services, Ministry of Education
K. McMillan, Director, Financial Services, Ministry of Education
E. Guo, Financial and Contract Analyst, Corporate Services, Ministry of Education

School Division Tax Loss Compensation Fund
For the Year Ended March 31, 2023
Financial Statements

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the financial statements of the School Division Tax Loss Compensation Fund, which comprise the statement of financial position as at March 31, 2023, and the statement of operations and net assets, 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 School Division Tax Loss Compensation Fund as at March 31, 2023, and the results of its operations and net assets for the year then ended in accordance with Canadian public sector accounting standards.

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 School Division Tax Loss Compensation Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, 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 these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, 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 School Division Tax Loss Compensation 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 School Division Tax Loss Compensation Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the School Division Tax Loss Compensation 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.

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 School Division Tax Loss Compensation 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 School Division Tax Loss Compensation 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 School Division Tax Loss Compensation 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 identified during the audit.

Regina, Saskatchewan
July 19, 2023

A handwritten signature in black ink that reads "T. Clemett".

Tara Clemett, CPA, CA, CISA
Provincial Auditor
Office of the Provincial Auditor

School Division Tax Loss Compensation Fund
Statement of Financial Position
As at March 31

ASSETS

	2023		2022
	<hr/>		
Due from General Revenue Fund <i>(Note 4)</i>	\$ 8,442,806	\$	8,281,997
Accounts receivable	14,289		149,314
Interest receivable	92,254		6,200
	<hr/>		
	\$ 8,549,349	\$	8,437,511
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LIABILITIES and NET ASSETS

Liabilities			
Accounts payable	\$ 18,588	\$	155,925
Net assets <i>(Statement 2)</i>	8,530,761		8,281,586
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	\$ 8,549,349	\$	8,437,511
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Contractual rights *(Note 7)*

(See accompanying notes to the financial statements)

**School Division Tax Loss Compensation Fund
Statement of Operations and Net Assets
For the Year Ended March 31**

	2023	2022
Revenue		
Contributions	\$ 30,140	\$ 245,325
Interest income	241,640	15,417
	<u>271,780</u>	<u>260,742</u>
Expenses		
Compensation to school divisions <i>(Note 6)</i>	<u>22,605</u>	<u>183,994</u>
Surplus for the year	249,175	76,748
Net assets, beginning of year	<u>8,281,586</u>	<u>8,204,838</u>
Net assets, end of year – to Statement 1	<u>\$ 8,530,761</u>	<u>\$ 8,281,586</u>

(See accompanying notes to the financial statements)

School Division Tax Loss Compensation Fund
Notes to the Financial Statements
March 31, 2023

1. Purpose and Creation of the Fund

The School Division Tax Loss Compensation Fund (Fund) was created by an amendment to *The Education Act, 1995* through *The Treaty Land Entitlement Implementation Act*. The amendment came into force on June 22, 1993. Order in Council #840/94 established regulations to administer the Fund on December 14, 1994.

The Fund is administered by the Ministry of Education on behalf of school boards. The purpose of the Fund is to provide tax loss compensation to school divisions that lose tax revenue as a result of lands within that school division being set apart as a First Nations reserve. The Fund receives money from the provincial (Ministry of Government Relations) and federal (Crown Indigenous Relations) governments as part of the *Treaty Land Entitlement Framework Agreement*. Payments are made to affected school divisions according to the formula stated in the regulations.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards, as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants (CPA) Canada. These financial statements do not present a Statement of Change in Net Assets or a Statement of Cash Flows because this information is readily apparent from the Statement of Operations and Net Assets. The Statement of Remeasurement Gains/Losses has been omitted as there were no relevant transactions to report.

Revenue

Contributions and Interest Income are recorded when earned, provided the amount to be received can be reasonably estimated and collection is reasonably assured.

Expenses

Compensation to school divisions is recorded when the legal title to the land set apart as a reserve is transferred to the Crown (federal government).

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Due to the inherent uncertainty involved in such assessments, actual results may differ from those estimates.

3. Related Party Transactions

The Fund has not been charged with any administrative costs and no provision for such costs is reflected in these statements. These costs are borne by the Ministry of Education. Included in revenue is \$8,972 (2022 – \$73,598) from the Ministry of Government Relations, of which \$0 (2022 – \$3,783) was receivable at March 31, 2023. Accounts payable to school divisions as of March 31, 2023 is \$18,588 (2022 – \$155,925). Other related party transactions are disclosed separately in these financial statements.

School Division Tax Loss Compensation Fund
Notes to the Financial Statements
March 31, 2023

The Fund is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Fund is related to non-Crown enterprises which the Government jointly controls. Related parties also include key management personnel, close family members of its key management personnel, and entities controlled by, or under shared control of any of these individuals.

4. Due from the General Revenue Fund

The monies of the Fund are deposited in the General Revenue Fund. The Fund's interest is calculated and paid from the General Revenue Fund on a quarterly basis using the Government's thirty-day borrowing rate and the Fund's average daily account balance. The Government's average thirty-day borrowing rate for the year ended March 31, 2023 is 2.89% (2022 – 0.19%). Interest receivable from the General Revenue Fund at March 31, 2023 is \$92,254 (2021 – \$6,200).

5. Financial Instruments

The Fund's financial instruments include due from General Revenue Fund, accounts receivable, interest receivable and accounts payable. Due to the immediate or short-term nature, the fair value of these financial instruments approximates their carrying values. Given the financial instruments are from the federal and provincial governments, credit risk is very low. Liquidity risk is also low, as the federal and provincial governments pay the Fund for the compensation to school divisions, and the interest receivable is from the General Revenue Fund.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Interest receivable is subject to interest rate risk.

Interest income is small relative to the Fund's net assets, so increases or decreases in interest rates would not be expected to impact the Fund's operations.

6. Compensation to School Divisions

The following lists the distributions made to school divisions.

	2023	2022
Good Spirit SD #204	\$ -	\$ 4,432
Living Sky SD #202	3,552	18,986
Northwest SD #203	-	149,223
Prairie Valley SD #208	18,436	11,353
Prairie Spirit SD #206	617	
Total	\$ 22,605	\$ 183,994

School Division Tax Loss Compensation Fund
Notes to the Financial Statements
March 31, 2023

7. Contractual Rights

The 1992 *Saskatchewan Treaty Land Entitlement Framework Agreement* was established to provide tax loss compensation to school divisions and rural municipalities that lose tax revenue as a result of reserve creation under Treaty Land Entitlement (TLE). Payment of lost tax revenue is cost shared between the federal government and the provincial government on a 70/30 basis.

The maximum amount that each government will pay for tax loss compensation is based on a cap that was set out in the TLE agreement. The original cap was \$50 million to address tax loss for 1.7 million acres of potential reserve land. There have been subsequent agreements that have resulted in an increase in the cap to the current amount of \$98.2 million for 2.4 million acres of potential reserve land. This cap represents total potential reserve land for both school divisions and rural municipalities. The current balance in the cap is approximately \$48.5 million.

Tax loss compensation is based on prior year tax notices for affected properties. The amount of tax loss compensation for school divisions is calculated at 17.5 times the previous year's taxes.

The amount of tax loss compensation in a given year is based on the number of acres transferred to reserve status. The federal government is responsible for reserve creation. As a result, the provincial government has no control over how many acres are transferred each year. There is also no time limit governing when First Nations must transfer land to reserve under their TLE agreements. As a result, the expected tax loss compensation to be received from the federal government is estimated to be \$18.0 million at March 31, 2023 (2022 - \$15.3 million).

8. New Accounting Standards

The following new Canadian public sector accounting standards will be coming into effect as of the dates indicated below. The impact the following standards will have on the Fund were analyzed. The results of the analysis are indicated below:

- (a) PS 3400 Revenue (effective April 1, 2023), a new standard that establishes how to account for and report revenue, specifically differentiating between revenue arising from transactions that include performance obligations (exchange transactions) and those that do not (non-exchange transactions). The funds received from the federal government represent a contractual obligation under the *Saskatchewan Treaty Land Entitlement Framework Agreement*. Funds received are recognized as revenue based on the terms of the agreement. The remainder of the transactions are inter-entity, involving the Ministry of Government Relations and various school divisions. These transactions fall under PS 3420. Therefore, the impact of PS 3400 on these financial statements will be limited to recording revenue when the contractual obligations with the federal government have been satisfied.

**School Division Tax Loss Compensation Fund
Compendium of Payee Details
As at March 31, 2023**

In accordance with Financial Administration Manual Section 2315 – Reporting Payee Details – Other Entities, payments of \$50,000 or more are listed below by payee:

<u>Payee</u>	<u>Amount</u>
Board of Education of the Northwest School Division No. 203 of Saskatchewan	146,467.65