

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Members
Saskatchewan Association of Rural Municipalities

Management has responsibility for preparing the accompanying financial statements and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and making objective judgements and estimates in accordance with Canadian generally accepted accounting principles.

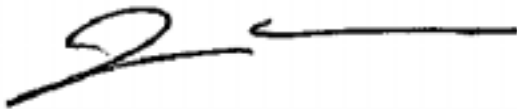
In discharging its responsibilities for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded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

Ultimate responsibility for financial statements to members lies with the Board of Directors. The Board of Directors review financial statements in detail with management prior to their approval of the financial statement for publication.

External auditors appointed by the Board audit the financial statements and meet separately with both the Board and management to review their findings. The external auditors report directly to the members and their report follows. The external auditors have full and free access to the Board to discuss their audit and their findings as to the integrity of the Association's financial reporting and the adequacy of the system of the internal controls.



Ken Engel
Executive Director



Jennie Schwartz
Controller

AUDITORS' REPORT

To the Members
The Saskatchewan Association of Rural Municipalities

We have audited the consolidated statement of financial position of The Saskatchewan Association of Rural Municipalities as at December 31, 2005, the consolidated statements of revenue and expenses, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the consolidated financial position of the Association as at December 31, 2005, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



February 3, 2006
Regina, Saskatchewan
Chartered Accountants

Consolidated Statement of Financial Position

Saskatchewan Association of Rural Municipalities

At December 31, 2005, 2004

	2005	2004
ASSETS		
Current Assets:		
Accounts Receivable	\$ 620,187	\$ 757,937
Short term Investments (note 3)	1,316,381	1,988,481
Inventory	66,580	56,648
Prepaid Expenses	21,292	19,633
Total Current Assets	2,024,440	2,822,699
Long term & Fixed Assets:		
Long term Investments (note 3)	13,574,561	11,681,556
Property and Equipment (note 4)	390,672	402,989
Liability & Property Insurance Reserve (note 5)	16,922	15,106
Total Long term & Fixed Assets	13,982,155	12,099,651
Total Assets:	\$ 16,006,595	\$ 14,922,350
Current Liabilities:		
Bank Indebtedness	\$ 196,419	\$ 245,711
Accounts Payable	599,717	463,772
Deferred Revenue (note 6)	13,750	34,727
Accrued Claims (note 7)	263,591	249,500
Total Current Liabilities	1,073,477	993,710
Other Liabilities:		
Funds Under Administration (note 8)	119,811	144,783
Total Liabilities:	1,193,288	1,138,493
Net Assets:		
General Fund	687,777	692,004
Invested in Capital Assets	390,672	402,989
Federal Lobbyist Fund	83,024	66,783
Group Benefits Fund	1,670,335	1,526,123
Liability Self Insurance Plan	11,264,301	10,650,496
Fidelity Bond Self Insurance Plan	139,850	104,912
Property Self Insurance Plan	577,348	340,550
Total Net Assets:	14,813,307	13,783,857
Total Liabilities & Net Assets:	\$ 16,006,595	\$ 14,922,350

Consolidated Statement of Revenues and Expenses (1 of 2)

Saskatchewan Association of Rural Municipalities
For the years ended December 31, 2005, 2004

	2005	2004
General Revenue:		
Trading Department:		
Sales	\$ 6,743,098	\$ 6,246,983
Cost of Sales	6,513,706	5,982,480
Gross Margin	229,392	264,503
Selling Expenses	70,853	62,643
Net Income from Trading Activities	158,539	201,860
Sales of Other Services (note 9)	135,577	125,627
Cost of Other Services	13,325	9,653
Net Income from Other Services	122,252	115,974
Membership Fees	516,404	516,460
Investment Income	63,388	58,951
Administration Fees (note 10)	659,094	642,446
Convention Income	154,253	123,292
Other Revenue (note 11)	124,565	14,781
Total General Revenue	1,798,495	1,673,764
General Expenditures:		
Conventions and Meetings	214,264	182,734
Directors Meetings	451,988	442,529
Staff	782,806	696,703
Office	70,941	54,670
Support Services (note 12)	178,146	88,363
Property and Depreciation	90,218	81,226
Other	26,676	11,788
Total General Expenditures	1,815,039	1,558,013
General Surplus (Deficit)	(16,544)	115,751
Federal Lobbyist Fund:		
Contributions	76,617	70,942
Lobbyist	60,376	60,318
Board & Staff	-	2,226
Federal Lobbyist Surplus	16,241	8,398

"See Accompanying Notes"

Consolidated Statement of Revenue and Expenses (2 of 2)

Saskatchewan Association of Rural Municipalities
For the years ended December 31, 2005, 2004

Group Benefits Fund Revenue:		
Premiums	\$ 875,953	\$ 851,635
Investment Income	92,515	147,015
Total Group Benefits Revenue	968,468	998,650
Group Benefits Fund Expenditure:		
Claims	623,856	707,786
Administration & Other	200,400	200,606
Total Group Benefits Expenditures	824,256	908,391
Group Benefits Surplus	144,212	90,259
Liability Self Insurance Plan Revenue:		
Premiums	474,668	468,481
Endorsement	2,000	1,000
Investment Income	556,830	719,493
Total Liability Self Insurance Plan Revenue	1,033,498	1,188,974
Liability Self Insurance Plan Expenditure:		
Claims (note 7)	232,671	76,426
Administration & Other (note 11)	142,440	140,544
Legal Administration	84,168	85,879
Adjusting	5,675	5,203
Total Liability Self Insurance Plan Expenditures	464,954	308,052
Liability Self Insurance Plan Surplus	568,544	880,922
Fidelity Bond Self Insurance Plan Revenue:		
Premiums	28,895	28,015
Investment Income	6,081	4,782
Total Fidelity Bond Self Insurance Plan Revenue	34,976	32,797
Fidelity Bond Self Insurance Plan Expenditure:		
Claims (Recoveries)	(9,608)	507
Administration & Other	9,646	8,739
Total Fidelity Bond Self Insurance Plan Expenditures	38	9,246
Fidelity Bond Self Insurance Plan Surplus	34,938	23,551
Property Self Insurance Plan Revenue:		
Premiums	615,019	468,355
Investment Income	32,522	20,163
Total Property Self Insurance Plan Revenue	647,541	488,518
Property Self Insurance Plan Expenditure:		
Claims (note 7)	244,093	147,020
Administration & Other (note 11)	150,263	140,507
Adjusting	14,421	18,553
Total Property Self Insurance Plan Expenditures	408,777	306,080
Property Self Insurance Plan Surplus	238,764	182,438
Consolidated Surplus for the year	\$ 986,155	1,301,319

"See Accompanying Notes"

Statement of Changes in Net Assets

Saskatchewan Association of Rural Municipalities
For the year ended December 31, 2005

	General	Invested in Capital Assets	Federal Lobbyist	Group Benefits	Liability	Property	Fidelity Bond	Total 2005
Net Assets								
- Beginning of year	\$692,004	\$402,989	\$66,783	\$1,526,123	\$10,650,496	\$340,550	\$104,912	\$13,783,857
Amortization	50,558	(50,558)	-	-	-	-	-	-
Net Investment in Capital Assets	(38,241)	38,241	-	-	-	-	-	-
Reserve Member Contributions	-	-	-	-	44,802	(1,966)	-	42,836
Prior Member Obligation	-	-	-	-	459	-	-	459
Surplus (deficit)	(16,544)	-	16,241	144,212	568,544	238,764	34,938	986,155
Net Assets - End of year	\$ 687,777	\$390,672	\$ 83,024	\$1,670,335	\$11,264,301	\$577,348	\$139,850	\$14,813,307

Consolidated Statement of Cash Flows

Saskatchewan Association of Rural Municipalities
For the years ended December 31, 2005, 2004

	2005	2004
Operating Activities:		
Surplus for the year	\$ 986,155	\$ 1,301,319
Depreciation	50,558	51,619
Changes in Funds under Administration	(24,972)	(29,631)
(Loss) on Asset Disposal	-	(310)
Liability Reserve Member Contributions	44,802	42,511
Liability Reserve Prior Member Obligation\Repayment	459	52
Property Reserve Member Withdrawal	(1,966)	-
Changes in Non Cash Working Capital Items	255,219	(303,186)
Cash Provided by Operating Activities	1,310,255	1,062,374
Financing and Investing Activities:		
Sale of Assets	-	850
Equity in Liability & Property Insurance Plan	(1,816)	(2,134)
Net Investment in Capital Assets	(38,240)	(10,636)
Investments	(1,220,905)	(1,401,111)
Cash Provided by Financing and Investing Activities	(1,260,963)	(1,413,031)
Net Increase (Decrease) in Cash Position	49,292	(350,657)
Cash Position, Beginning of Year	(245,711)	104,946
Cash Position, End of Year	\$ (196,419)	\$ (245,711)

Notes to the Financial Statements

Saskatchewan Association of Rural Municipalities

December 31, 2005

The Association is a non-profit organization incorporated under a special act of the Province. The consolidated operations consist of the following: General Fund, SARM Benefits Plan, Liability Self Insurance Plan, Fidelity Bond Self Insurance Plan and the Property Self Insurance Program. The General Fund conducts the main revenue generating and administrative activities of SARM. The SARM Benefits Plan self-insures members for short-term disability and other benefits. The Liability Self Insurance Plan provides comprehensive liability coverage. The Fidelity Bond Self Insurance Plan provides fidelity bond coverage for municipal employees, money and securities coverage and registered mail coverage. The Property Self Insurance Program provides property coverage.

1. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for non-profit organizations and reflect the following significant policies:

(a) Investments:

Investments are recorded at cost. When there has been a decline in value that is not temporary, investments are recorded at the lower of cost and net realizable value.

(b) Accounts Receivable & Accounts Payable:

Accounts receivable are recorded at net realizable value. The recorded value of accounts receivable and accounts payable approximate their fair value due to their short-term nature.

(c) Inventory:

Inventory is valued at the lower of cost or net realizable value, with cost being determined on the first-in, first-out basis.

(d) Property, Plant and Equipment:

The cost of capital assets less estimated salvage value is amortized over estimated useful life using the following methods:

Buildings, vehicles

Declining balance (2.5% and 20%)

Equipment, custom built software, computers

Straight line (10%, 10% and 25%)

(e) Investment in Liability Self Insurance Plan and Property Insurance Program:

The Association is an insured policy holder in the SARM Liability Self Insurance Plan and the SARM Property Self Insurance Program. Under the terms of these plans participants are assessed an annual premium and for the

Liability Self Insurance Plan they are also committed to contribute three times this amount for three years as a direct surplus contribution. Earnings or losses of the Plans and interest on the direct contributions accrue to the participating policy holders on the basis of annual premiums paid and accumulated surplus contributions outstanding at year end. This investment is accounted for on the equity basis.

(f) Revenue Recognition:

Investment revenue is recognized on the accrual basis. Purchase premiums and discounts are amortized on a straight-line basis. Purchase discounts are amortized over the term to maturity, while purchase premiums are amortized to the first call date. Purchase premiums for investments with no call features are amortized over the term to maturity. When investments are sold prior to final maturity, called by the issuer, or when losses on investments are of a long term nature, the corresponding gain or loss will accrue to the investing funds at the time the investment was purchased. Other revenues are recognized as revenue in the year to which they relate.

(g) Claims Expense:

Claims are expensed when liability is established and the amount of the loss can be reasonably determined. (see note 5 and 7)

This practice is appropriate for all Insurance Plans as the agreements for these Plans permit the Board to assess a special levy upon participants should the Plans resources become depleted. The terms of the contracts oblige the participants to pay any such levy regardless of whether they subsequently withdraw from the Plans. Participants who withdraw are also liable for their pro-rata share of claims or expenses which subsequently become payable but which were incurred during the period of their participation, even if not recovered through a special levy. Therefore the continued existence of the Plans due to any significant losses is not limited by future premium renewals.

(h) Liability Self Insurance Plan & Property Self Insurance Program Reserve Transactions:

The reserves of these Plans are the beneficial property of the individual participants. Each participant's share of the total reserve consists of:

(i) Interest Earned

The terms of the contracts for insurance specify that interest on reserve contributions will accrue to the

benefit of the participants. This interest is allocated on the basis of the accumulated reserve of each participant at the end of the year. It is recorded as a direct increase in reserve to recognize that a member may withdraw from the Plan and cease to have any rights to excess earnings and their reserve contribution remains in the Plan.

(ii) Reserve Contributions - (Liability Self Insurance Plan)

Participants in this Plan are committed to making reserve contributions of three times their annual premiums for each of the first three years.

(iii) Claims Expense- (Liability Self Insurance Plan)

An annual allocation of claims expense, based upon the participants in this Plan during the year the claim was incurred. (see note 5 and 7)

(iv) Net Surplus

An annual allocation of surplus (defined as income before claims less interest) based upon premiums paid in the year.

2. Bank Indebtedness:

SARM maintains a cash account with CIBC Wood Gundy for investment purposes. In addition, SARM has an authorized line of credit of \$500,000 with the Canadian Imperial Bank of Commerce. The amount drawn on the line of credit bears interest at the bank prime rate.

3. Investments- Short Term and Long Term

The investment accounts for all seven funds managed by SARM (General Fund, SARM Benefits Plan, Liability Self Insurance Plan, Fidelity Bond Self Insurance Plan, Property Self Insurance Program, Rural Municipal Tax Loss Compensation Trust Fund and Rural Municipal Specific Claims Tax Loss Compensation Trust Fund) are pooled. The return to each fund was apportioned in accordance with the investment balance each fund has in the pool. (See Schedule of Investments)

4. Property, Plant and Equipment

	Accumulated	Net	Net
	Cost	Amortization	2005
			2004
Building	\$441,489	\$244,235	\$197,254
Equipment	95,491	78,141	17,350
Computers	158,200	130,429	27,771
Custom Software	256,787	161,269	95,518
Custom Software			
– Liability	26,329	–	26,329
Vehicle	15,210	11,760	3,450
Land	23,000	–	23,000
	\$1,016,506	\$625,834	\$390,672
			\$402,989

5. Commitments and Contingencies

The General Fund is contingently liable as a participant in all the Insurance Plans for its proportionate share of any special levy that may be assessed in the event the resources of the Plans become depleted.

Accrued claims reported in the financial statements represents management's best estimate of the Liability Self Insurance Plan and Property Self Insurance Program liabilities for claims in progress. This estimate is based on information available at year end. Circumstances beyond the control of SARM or information not available during the preliminary investigations could result in a settlement significantly higher or lower than that estimate.

At year-end, the Liability Self Insurance Plan, the Fidelity Self Insurance Plan and the Property Self Insurance Plan were conducting preliminary investigations on a number of potential claims. Losses, if any, from these claims are not determinable at this time and in some instances may result in a significant claim to be accrued by this Plan in a future period.

6. Deferred Revenue

	2005	2004
Trade Show	–	24,740
Sponsorships	–	2,300
SARM Fidelity Bond Self Insurance Plan	–	960
SARM Benefits Plan	–	6,727
Deferred Nuclear Forum Revenue	3,750	–
Deferred Grant	10,000	–
Total Deferred Revenue	\$ 13,750	\$ 34,727

7. Claims Expense

Claims expense is comprised of the following:

	2005	2005	2004	2004
	Liability	Property	Liability	Property
Claims paid during the year	\$289,127	\$173,547	\$41,862	\$163,464
Change in accrued claims	(56,456)	70,546	34,564	(16,444)
Total claims expense	\$ 232,671	\$ 244,093	\$ 76,426	\$ 147,020

8. Funds Under Administration

	2005	2004
Best Practices Guide	\$ 2,327	\$ 812
Land Claim Survey	51,170	60,162
Municipal Leadership		
Development Program	18,869	16,859
Municipal Restructuring	49,000	43,000
SARM 100th Anniversary	–	30,000
Wilkinson Foundation	(29)	1,072
Weed Control Initiative	(1,526)	(7,122)
	<u>\$119,811</u>	<u>\$144,783</u>

9. Sale of Other Services

Listed below is a detail of the legal services revenue, publication and advertising revenue:

	2005	2004
General Service to RM's	\$ 44,159	\$ 36,335
SARM Liability Self Insurance Plan	66,670	71,300
SARM Fidelity Bond Self Insurance Plan	890	384
SARM Property Self Insurance Program	264	–
SARM Benefits Plan	115	440
	<u>112,098</u>	<u>108,459</u>
Legal Service Total	112,098	108,459
Publications and Advertising	23,479	17,168
	<u>\$ 135,577</u>	<u>\$ 125,627</u>

10. Administration Fees

The General Fund administers the SARM Benefits Plan, the Liability Self Insurance Plan, the Property Insurance Program and the Fidelity Bond Self Insurance Plan. Fees are charged for these services based on 30% of the Plans' current year premiums.

	2005	2004
Internal Administration Fees:		
SARM Benefits Plan	\$ 200,000	\$ 200,000
Liability Self Insurance Plan	142,400	140,544
Fidelity Bond Self Insurance Plan	8,669	8,405
Property Self Insurance Program	150,000	140,507
	<u>501,069</u>	<u>489,456</u>
External Administration Fees:		
Long Term Disability Admin.	30,949	29,556
Extended Benefits Admin.	58,363	60,413
Optional Life Insurance Admin.	5,112	4,715
Critical Illness Insurance Admin.	–	54
Municipal Tax Loss Admin.	35,051	33,161
Specific Indian Land Admin.	1,153	1,169
Land Claim Survey Admin.	1,516	1,466
Municipal Habitat Trust Admin.	10,000	10,000
Municipal Potash Tax Admin.	6,000	6,000
Municipal Leadership		
Development Program	8,745	5,069
Provincial Sales Tax Com.	1,136	1,387
	<u>65,939</u>	<u>74,389</u>
Total Administration Fees	<u>\$ 659,094</u>	<u>\$ 642,446</u>

11. Other Revenue

Listed below is a detail of the Other Revenue collected by SARM:

	2005	2004
Grants – Clearing the Path	15,000	–
Grants – Prairie Grain Road	101,537	–
District Meeting Sponsor	2,500	2,500
Misc. Revenue	5,528	\$ 12,281
	<u>\$ 124,565</u>	<u>\$ 14,781</u>
Total Other Revenue	<u>\$ 124,565</u>	<u>\$ 14,781</u>

12. Support Services

Listed below is a detail of the Support Services expenses:

	2005	2004
Legal Services	272	909
Audit & Accounting Services	14,250	29,597
Computer Support	10,588	8,423
Bank Service & Interest Charges	1,035	1,198
Express Delivery Service	849	451
Subscriptions to Publications	1,419	1,764
Advertising	2,131	12,690
Media Services	203	–
Consulting & Research	42,699	30,998
Insurance	3,164	2,333
Consulting & Research		
Prairie Grain Road	101,537	–
	<u>\$ 178,146</u>	<u>\$ 88,363</u>
Total Support Services	<u>\$ 178,146</u>	<u>\$ 88,363</u>

13. Comparative Figures

Certain comparative figures have been reclassified to conform with the presentation in the current year.

Supplementary Information to the Financial Statements

(Unaudited)

BOARD REMUNERATION

The Board of Directors of the Association remuneration includes the following:

President	- \$250.00 per meeting day
Vice-President	- \$225.00 per meeting day
Board of Directors	- \$200.00 per meeting day

The Board is paid one day per month for preparation time at the above rates. The Board members are also paid an additional per diem of \$.10 per kilometre or \$10.00 an hour for bus or air plane travel to compensate for travel time.

Living Allowance:

The Board members are granted a living allowance based on the actual costs incurred. The living allowance is broken down as follows:

Hotel:	Actual cost
Meals:	\$45.00 per day

Mileage:

The Board members are paid \$.45 per kilometre for mileage.

Sundry Expenses:

The Board members are compensated for sundry expenses such as telephone calls and fax charges when verified by receipts. There is also a sundry phone allowance of \$25 per month.

Honorariums:

President:	\$6,000 per year
Vice President:	\$2,000 per year

Days Spent by Board of Directors:

The following are the actual meeting days spent by the respective Board Members:

	2005	2004	
President Hardy	149.5	160	days
Vice President Marit	130	127.5	days
Director Division 1 Taylor	131	130	days
Director Division 2 Orb	107.5	81	days
Director Division 3 Steele	117	78.5	days
Director Division 4 Hallick	123	136.5	days
Director Division 5 Purcell	92.5	84	days
Director Division 6 Gronning	120.5	105.5	days
Dir.Ex-Officio Ritchie	58.6	78.5	days

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Beneficiaries
Rural Municipal
Tax Loss Compensation Trust Fund
Regina, Saskatchewan

Management has responsibility for preparing the accompanying financial statements and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and making objective judgements and estimates in accordance with Canadian generally accepted accounting principles.

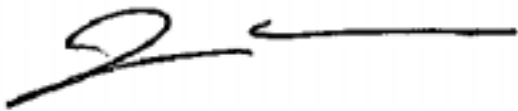
In discharging its responsibilities for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded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

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

External auditors are appointed by the trustee 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.



Ken Engel
Executive Director



Jennie Schwartz
Controller

AUDITORS' REPORT

To the Beneficiaries of
Rural Municipal
Tax Loss Compensation Trust Fund
Regina, Saskatchewan

We have audited the Statement of Financial Position of Rural Municipal Tax Loss Compensation Trust Fund as at December 31, 2005, and the statements of income and net assets and cash flows for the year then ended. These financial statements are the responsibility of the fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the fund as at December 31, 2005, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
February 3, 2006
Regina, Saskatchewan

Statement of Financial Position

Rural Municipal Tax Loss Compensation Trust Fund
At December 31, 2005, 2004

	2005	2004
ASSETS		
Current:		
Cash (note 2)	\$ 369,764	\$ 227,910
Short-Term Investments (note 3)	1,358,002	2,098,775
Accounts Receivable	193,289	81,884
	<hr/> 1,921,055	<hr/> 2,408,569
Long-Term Investments (note 3)	14,003,748	12,329,480
TOTAL ASSETS	<hr/> \$ 15,924,803	<hr/> \$ 14,738,049
LIABILITIES & NET ASSETS		
Current:		
Accounts Payable	\$ 41,635	6,452
Net Assets	15,883,168	14,731,597
TOTAL LIABILITIES & NET ASSETS	<hr/> \$ 15,924,803	<hr/> \$ 14,738,049

"See Accompanying Notes"



President



Vice President

Statement of Income and Net Assets

Rural Municipal Tax Loss Compensation Trust Fund
For the Years Ended December 31, 2005, 2004

	2005	2004
Revenues:		
Investment Interest	\$ 757,468	\$ 652,834
Expenses:		
Contributions to RMs	665,970	632,912
SARM Commission (note 4)	35,051	33,161
Audit Fees and Other Expenses	5,855	15,253
	<hr/> 706,876	<hr/> 681,326
Net Income (Loss)	50,592	(28,492)
Net Assets – Beginning of Year	14,731,597	14,359,667
Reserve Contributions	1,100,979	400,422
Net Assets – End of Year	<hr/> \$ 15,883,168	<hr/> \$ 14,731,597

"See Accompanying Notes"

Statement of Cash Flows

Rural Municipal Tax Loss Compensation Trust Fund
For the Years Ended December 31, 2005, 2004

	2005	2004
Cash Generated by (used in) Operating Activities:		
Net Income (Loss)	\$ 50,592	\$ (28,492)
Changes in Non-Cash Current Assets and Liabilities	664,551	2,607
Cash Generated by Operating Activities	715,143	(25,885)
Cash Generated by (used in) Financing and Investing Activities:		
Reserve Contributions	1,100,979	400,422
Investments	(1,674,268)	(584,836)
Cash used in Financing and Investing Activities	(573,289)	(184,414)
Increase (Decrease) in Cash Position	141,854	(210,299)
Cash – Beginning of Year	227,910	438,209
Cash – End of Year	\$ 369,764	\$ 227,910

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

Rural Municipal Tax Loss Compensation Trust Fund is administered by Saskatchewan Association of Rural Municipalities (SARM) as a result of the signing of the Treaty Land Entitlement Framework Agreement entered into by Canada, Saskatchewan, and certain Indian Bands.

The purpose of the Fund is to provide tax loss compensation to rural municipalities that lose taxable property from their assessment base due to lands being given Reserve status under the Framework Agreement. The Fund is designed to provide a perpetual return thus enabling municipalities to receive some level of tax loss compensation indefinitely.

The SARM Board of Directors are the Trustees of the Fund and all operations of the Fund are governed by the Rural Municipal Tax Loss Compensation Trust Fund Agreement signed October 6, 1993 between the provincial government and SARM.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant policies:

(a) Investments

Investments are recorded at cost. When there has been a decline that is not temporary for long term investments, these are recorded at net realizable value.

(b) Revenue Recognition

Investment interest is recognized in the period it is earned. Purchase premiums and discounts are amortized on a straight-line basis. Purchase discounts are amortized over the term to maturity, while purchase premiums are amortized to the first call date. Purchase premiums for investments with no call features are amortized over the term to maturity. Gains on investments are recognized in the period they are realized. Other revenues are recognized as revenue in the year to which they relate.

(c) Reserve Contributions

Reserve contributions are maintained to earn a perpetual return and therefore these amounts are recorded as a direct increase in net assets when received.

2. BANK INDEBTEDNESS:

SARM maintains a cash account with CIBC Wood Gundy for investment purposes. In addition, SARM has an authorized line of credit of \$500,000 with the Canadian Imperial Bank of Commerce that can be drawn on by the Plan, the General Fund and the other Plans. The amount drawn on the line of credit bears interest at the bank prime rate.

3. INVESTMENTS:

The investment accounts for all seven funds managed by SARM (General Fund, SARM Benefits Plan, Liability Self-Insurance Plan, Fidelity Bond Self-Insurance Plan, Property Self-Insurance Plan, Rural Municipal Tax Loss Compensation Trust Fund and Rural Municipal Specific Claims Tax Loss Compensation Trust Fund) were pooled. The return to each fund was apportioned in accordance with the investment balance each fund has in the pool.

Refer to the Schedule of Investments which details cost and fair market value of all investments.

4. COMMISSION

SARM administers the Rural Municipal Tax Loss Compensation Trust Fund within the provisions set out by the related trust agreement. SARM receives a commission of 5% of each RM's application for compensation.

5. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities, such as accounts receivable and accounts payable, are stated at amounts which approximate fair value due to their short term nature.

Credit risk is the risk of financial loss resulting from default of financial obligations by a debtor to the fund. All accounts receivable are due from federal and provincial governments, therefore, credit risk is not significant.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Beneficiaries
Rural Municipal Specific Claims
Tax Loss Compensation Trust Fund
Regina, Saskatchewan

Management has responsibility for preparing the accompanying financial statements and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and making objective judgements and estimates in accordance with Canadian generally accepted accounting principles.

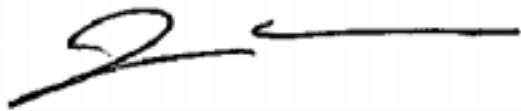
In discharging its responsibilities for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded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

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

External auditors are appointed by the trustee 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.



Ken Engel
Executive Director



Jennie Schwartz
Controller

AUDITOR'S REPORT

Rural Municipal Specific Claims
Tax Loss Compensation Trust Fund
Regina, Saskatchewan

We have audited the Statement of Financial Position of Rural Municipal Specific Claims Tax Loss Compensation Trust Fund as at December 31, 2005, and the statements of income and net assets and cash flows for the year then ended. These financial statements are the responsibility of the fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the fund as at December 31, 2005, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



February 3, 2006
Regina, Saskatchewan
Chartered Accountants

Statement of Financial Position

RURAL MUNICIPAL SPECIFIC CLAIMS TAX LOSS COMPENSATION TRUST FUND

At December 31, 2005, 2004

	2005	2004
ASSETS		
Current:		
Cash (note 2)	\$ 18,218	\$ 9,596
Short-Term Investments (note 3)	306,034	483,997
	<u>324,252</u>	<u>493,593</u>
Long-Term Investments (note 3)	3,155,828	2,843,297
TOTAL ASSETS	<u>\$ 3,480,080</u>	<u>\$ 3,336,890</u>
LIABILITIES & NET ASSETS		
Current:		
Accounts Payable	\$ 2,500	2,757
Net Assets	3,477,580	3,336,890
TOTAL LIABILITIES & NET ASSETS	<u>\$ 3,480,080</u>	<u>\$ 3,336,890</u>

"See Accompanying Notes"



President



Vice President

Statement of Income and Net Assets

RURAL MUNICIPAL SPECIFIC CLAIMS TAX LOSS COMPENSATION TRUST FUND

For the Years Ended December 31, 2005, 2004

	2005	2004
Revenues:		
Investment Interest	\$ 169,214	\$ 159,555
Expenses:		
Contributions to RMs	21,913	22,215
SARM Commission (note 4)	1,154	1,169
Audit Fees and Other Expenses	2,700	5,853
	<u>25,767</u>	<u>29,237</u>
Net Income (Loss)	143,447	130,318
Net Assets – Beginning of Year	3,334,133	3,202,815
Reserve Contributions	1,100,979	400,422
Net Assets – End of Year	<u>\$ 3,477,580</u>	<u>\$ 3,334,133</u>

"See Accompanying Notes"

Statement of Cash Flows

RURAL MUNICIPAL SPECIFIC CLAIMS TAX LOSS COMPENSATION TRUST FUND

For the Years Ended December 31, 2005, 2004

	2005	2004
Cash Generated by (used in) Operating Activities:		
Net Income	\$ 143,447	\$ 130,318
Changes in Non-Cash Current Assets and Liabilities	177,706	2,816
	<hr/>	<hr/>
Cash Provided by Operating Activities	321,153	133,134
	<hr/>	<hr/>
Cash Generated by (used in) Financing and Investing Activities:		
Investments	312,531	(161,225)
	<hr/>	<hr/>
Cash used in Financing and Investing Activities	(312,531)	(161,225)
	<hr/>	<hr/>
Increase (Decrease) in Cash Position	8,622	(28,091)
Cash – Beginning of Year	9,596	37,687
	<hr/>	<hr/>
Cash – End of Year	\$ 18,218	\$ 9,596
	<hr/>	<hr/>

Notes to the Financial Statements

RURAL MUNICIPAL SPECIFIC CLAIMS TAX LOSS COMPENSATION TRUST FUND

At December 31, 2005

1. SIGNIFICANT ACCOUNTING POLICIES

Rural Municipal Specific Claims Tax Loss Compensation Trust Fund is administered by Saskatchewan Association of Rural Municipalities (SARM) as a result of the signing of the Rural Municipal Specific Claims Agreement entered into by Canada, Saskatchewan and SARM.

The purpose of the Fund is to provide tax loss compensation to rural municipalities that lose taxable property from their assessment base due to lands being given Reserve status under specific claims settlement agreements. The Fund is designed to provide a perpetual return thus enabling municipalities to receive some level of tax loss compensation indefinitely.

The SARM Board of Directors are the Trustees of the Fund and all operations of the Fund are governed by the Rural Municipal Specific Claims Agreement signed May 25, 2000 between the provincial government and SARM.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant policies:

(a) Investments

Investments are recorded at cost. When there has been a decline that is not temporary for long term investments, these are recorded at net realizable value.

(b) Revenue Recognition

Investment interest is recognized in the period it is earned. Purchase premiums and discounts are amortized on a straight-line basis. Purchase discounts are amortized over the term to maturity, while purchase premiums are amortized to the first call date. Purchase premiums for investments with no call features are amortized over the term to maturity. Gains on investments are recognized in the period they are realized. Other revenues are recognized as revenue in the year to which they relate.

(c) Reserve Contributions

Reserve contributions are maintained to earn a perpetual return and therefore these amounts are recorded as a direct increase in net assets when received.

2. BANK INDEBTEDNESS

SARM maintains a cash account with CIBC Wood Gundy for investment purposes. In addition, SARM has an authorized line of credit of \$500,000 with the Canadian Imperial Bank of Commerce that can be drawn on by the Plan, the General Fund and the other Plans. The amount drawn on the line of credit bears interest at the bank prime rate.

3. INVESTMENTS

The investment accounts for all seven funds managed by SARM (General Fund, SARM Benefits Plan, Liability Self-Insurance Plan, Fidelity Bond Self-Insurance Plan, Property Self-Insurance Plan, Rural Municipal Tax Loss Compensation Trust Fund and Rural Municipal Specific Claims Tax Loss Compensation Trust Fund) were pooled. The return to each fund was apportioned in accordance with the investment balance each fund has in the pool.

Refer to the Schedule of Investments which details cost and fair market value of all investments.

4. COMMISSION

SARM administers the Rural Municipal Specific Claims Tax Loss Compensation Trust Fund within the provisions set out by the related trust agreement. SARM receives a commission of 5% of each RM's application for compensation.

5. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities, such as accounts receivable and accounts payable, are stated at amounts which approximate fair value due to their short term nature.

Credit risk is the risk of financial loss resulting from default of financial obligations by a debtor to the fund. All accounts receivable are due from federal and provincial governments, therefore, credit risk is not significant.

Schedule of Investments (1 of 3)

Saskatchewan Association of Rural Municipalities
At December 31, 2005

Listed below are all the investments held by SARM General Fund, SARM Benefits Plan, SARM Liability Self Insurance Plan, SARM Fidelity Bond Self Insurance Plan, SARM Property Self Insurance Program, Rural Municipal Tax Loss Compensation Trust Fund and Rural Municipal Specific Claims Tax Loss Compensation Trust Fund.

Investment	Dominion Bond Rating	Maturity Date	Current Book Value	Market Value
Provincial Bonds				
Province of Ontario	AA	19-Nov-10	867,863	893,636
Province of Ontario	AA	30-Nov-11	510,928	526,950
Province of Ontario	AA	02-Jun-13	817,289	858,776
Province of Ontario	AA	08-Mar-14	509,752	527,475
Province of Ontario	AA	17-Feb-15	519,603	507,550
Province of Manitoba	A high	07-Jun-06	623,882	603,300
Province of Manitoba	A high	03-Dec-13	659,455	690,307
Province of Manitoba	A high	24-Sep-09	506,507	497,170
Province of Saskatchewan	A high	06-Sep-07	496,849	493,395
Province of Saskatchewan	A high	24-Sep-09	1,106,748	1,117,119
Province of Saskatchewan	A high	12-Nov-09	1,607,364	1,654,437
Province of Saskatchewan	A high	10-Oct-11	322,625	326,890
Province of Saskatchewan	A high	03-Dec-12	1,042,684	1,069,520
Province of Saskatchewan	A high	17-Jun-13	511,886	515,500
Province of New Brunswick	A high	3-Dec-15	820,483	802,912
Federal Bonds				
Farm Credit Canada	AAA	09-Dec-13	801,965	780,400
Charter Banks Bonds				
Bank of Montreal	AA low	31-Jan-11	1,217,783	1,223,868
Bank of Montreal	A high	04-Feb-13	500,932	502,832
Bank of Montreal	A high	21-Jan-15	1,229,915	1,174,893
Bank of Montreal	A high	22-Apr-20	2,520,631	2,532,737
Bank of Nova Scotia	AA low	19-Aug-09	100,000	141,750
Bank of Nova Scotia	AA low	07-Jan-10	508,750	491,745
Bank of Nova Scotia	A high	08-Feb-11	670,759	652,223
Bank of Nova Scotia	A high	16-Jul-12	516,745	516,170
Bank of Nova Scotia	A yn	31-Dec-10	158,858	169,374
CIBC	GIC	05-Mar-07	3,332,384	3,200,000
CIBC	A high	28-Aug-08	510,405	503,550
CIBC	A high	02-Sep-10	1,039,381	1,024,552
CIBC	A high	23-Feb-11	729,822	711,200
CIBC	A	3-Aug-12	250,000	245,250
CIBC	A high	3-Dec-12	200,000	196,400
CIBC	A high	12-Jan-14	667,643	673,641
CIBC Deposit Note	A high	22-Dec-14	439,662	436,237
Royal Bank	AA low	12-Apr-11	271,834	261,380
Royal Bank	A high	12-Sep-11	512,337	508,690
Royal Bank	AA low	20-Jan-14	729,657	728,994
Royal Bank	AA low	20-Jan-14	1,457,578	1,480,899
Royal Bank	AA low	24-Jun-15	301,387	293,034
Toronto Dominion	AAA	01-Aug-06	933,668	931,370
Toronto Dominion	A high	31-Jul-12	488,762	485,639

Schedule of Investments (2 of 3)

Saskatchewan Association of Rural Municipalities
At December 31, 2005

Investment	Dominion Bond Rating	Maturity Date	Current Book Value	Market Value
Corporate Bonds				
Bell Canada	A	18-Jan-08	\$ 1,283,780	\$ 1,300,425
Cameco Corporation	A low	12-Jul-06	536,691	527,628
West Coast Energy Inc.	A low	16-Apr-08	629,307	633,995
Mutual Funds				
CIBC FulPay DARTS	A	12-Aug-13	250,000	247,550
Total Fixed Securities			33,714,554	33,661,363
Investment Bank Balance			146,413	146,413
Portfolio Total			\$ 33,860,967	\$ 33,807,776

The ratings of the investments are from the Dominion Bond Rating Service as at December 31, 2005. Recorded value is based on original cost plus accrued interest less write-down, if any, for declines in value that are expected to not be temporary. The fair market values are approximate quoted market values.

Listed below are all the investment categories held by SARM General Fund, SARM Benefits Plan, SARM Liability Self Insurance Plan, SARM Fidelity Bond Self Insurance Plan, SARM Property Self Insurance Program, Rural Municipal Tax Loss Compensation Trust Fund and Rural Municipal Specific Claims Tax Loss Compensation Trust Fund.

	Book Value	Market Value
Federal Bonds	\$ 801,965	\$ 780,400
Provincial Bonds	10,923,918	11,084,937
Charter Bank Bonds	19,288,893	19,086,428
Corporate Bonds	2,449,778	2,462,048
Mutual Funds	250,000	247,550
Total Fixed Investments	33,714,554	33,661,363
Equities	–	–
Investment Cash Account	146,413	146,413
Portfolio Total	\$ 33,860,967	\$ 33,807,776

Schedule of Investments (3 of 3)

Saskatchewan Association of Rural Municipalities

At December 31, 2005

The practice of allocating investment returns is done on each instrument based on the proportion that SARM General Fund and each Plan contributes at investment purchase. SARM has a policy of allocating returns on a pool basis. Listed below is the allocation of investments (excluding investment account cash) attributable to SARM General Fund and each of the Plans.

	<u>2005</u>	<u>2004</u>
SARM General Fund	\$ 1,080,685	\$ 778,037
SARM Benefits Plan	1,709,206	1,529,458
SARM Liability Self Insurance Plan	11,374,184	10,829,700
SARM Fidelity Bond Self Insurance Plan	123,565	103,097
SARM Property Self Insurance Program	603,302	429,745
	<hr/>	<hr/>
SARM Consolidated	14,890,942	13,670,037
Rural Municipal Tax Loss Compensation Trust Fund	15,361,750	14,428,255
Rural Municipal Specific Claims Tax Loss Compensation Trust Fund	3,461,862	3,327,294
	<hr/>	<hr/>
	\$ 33,714,554	\$ 31,425,586