

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



Catherine Patterson, CA
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, 2006, the consolidated statements of operations, 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, 2006, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



February 6, 2007
Regina, Saskatchewan
Chartered Accountants

SASKATCHEWAN ASSOCIATION OF RURAL MUNICIPALITIES

Consolidated Statement of Financial Position

At December 31, 2006, 2005

	2006	2005
ASSETS		
Current Assets		
Cash (note 2)	\$ 42,581	\$ –
Accounts Receivable	740,056	620,187
Short-Term Investments (note 3)	1,660,022	1,316,381
Inventory	55,000	66,580
Prepaid Expenses	21,326	21,292
Total Current Assets	2,518,985	2,024,440
Long-Term Assets		
Long-Term Investments (note 3)	13,837,166	13,574,561
Property and Equipment (note 4)	491,889	390,672
Liability & Property Insurance Reserve (note 5)	18,104	16,922
Total Long-Term Assets	14,347,159	13,982,155
Total Assets	\$ 16,866,144	\$ 16,006,595
LIABILITIES & NET ASSETS		
Current Liabilities		
Bank Indebtedness	\$ –	\$ 196,419
Accounts Payable	749,405	599,717
Deferred Revenue (note 6)	10,427	13,750
Accrued Claims (note 5)	450,026	263,591
Total Current Liabilities	1,209,858	1,073,477
Other Liabilities		
Funds Under Administration (note 8)	70,062	119,811
Total Liabilities	1,279,920	1,193,288
Net Assets		
General Fund	612,568	687,777
Invested in Property and Equipment	491,889	390,672
Federal Lobbyist Fund	81,490	83,024
Group Benefits Plan	1,706,386	1,670,335
Liability Self-Insurance Plan	11,861,998	11,264,301
Fidelity Bond Self-Insurance Plan	154,554	139,850
Property Self-Insurance Program	677,339	577,348
Total Net Assets	15,586,224	14,813,307
Total Liabilities & Net Assets	\$ 16,866,144	\$ 16,006,595

"See Accompanying Notes"

SASKATCHEWAN ASSOCIATION OF RURAL MUNICIPALITIES

Consolidated Statement of Operations (1 of 2)

For the years ended December 31, 2006, 2005

	2006	2005
General Revenue		
Trading Department		
Sales	\$ 7,094,809	\$ 6,743,098
Cost of Sales	6,921,082	6,513,706
Gross Margin	173,727	229,392
Selling Expenses	70,575	70,853
Net Income from Trading Activities	103,152	158,539
Sales of Other Services (note 9)	189,649	135,577
Cost of Other Services	34,989	13,325
Net Income from Other Services	154,660	122,252
Membership Fees	516,592	516,404
Investment Income	57,141	63,388
Administration Fees (note 10)	741,485	659,094
Convention Income	114,740	154,253
Other Revenue (note 11)	163,054	124,565
Total General Revenue	1,850,824	1,798,495
General Expenditures		
Conventions and Meetings	293,331	255,776
Directors Meetings	435,440	473,133
Staff	777,617	761,661
Office	75,437	70,941
Support Services (note 12)	117,841	136,634
Property and Amortization	89,609	90,218
Other	35,541	26,676
Total General Expenditures	1,824,816	1,815,039
General Surplus (Deficit)	26,008	(16,544)
Federal Lobbyist Fund		
Contributions	77,762	76,617
Lobbyist	60,572	60,376
Board & Staff	18,724	-
Total Lobbyist Expenditures	79,296	60,376
Federal Lobbyist (Deficit) Surplus	(1,534)	16,241

"See Accompanying Notes"

SASKATCHEWAN ASSOCIATION OF RURAL MUNICIPALITIES

Consolidated Statement of Operations (2 of 2)

For the years ended December 31, 2006, 2005

	2006	2005
Group Benefits Plan Revenue		
Premiums	\$ 901,731	\$ 875,953
Investment Income	96,935	92,515
Total Group Benefits Plan Revenue	998,666	968,468
Group Benefits Plan Expenditures		
Claims	742,221	623,856
Administration & Other	220,394	200,400
Total Group Benefits Plan Expenditures	962,615	824,256
Group Benefits Plan Surplus	36,051	144,212
Liability Self-Insurance Plan Revenue		
Premiums	478,207	474,668
Endorsement	1,000	2,000
Investment Income	572,050	556,830
Total Liability Self-Insurance Plan Revenue	1,051,257	1,033,498
Liability Self-Insurance Plan Expenditures		
Claims (note 7)	182,518	232,671
Administration & Other	143,462	142,440
Legal Administration	140,427	84,168
Adjusting	6,539	5,675
Total Liability Self-Insurance Plan Expenditures	472,946	464,954
Liability Self-Insurance Plan Surplus	578,311	568,544
Fidelity Bond Self-Insurance Plan Revenue		
Premiums	29,750	28,895
Investment Income	7,447	6,081
Total Fidelity Bond Self-Insurance Plan Revenue	37,197	34,976
Fidelity Bond Self-Insurance Plan Expenditures		
Claims	12,859	(9,608)
Administration & Other	9,634	9,646
Total Fidelity Bond Self-Insurance Plan Expenditures	22,493	38
Fidelity Bond Self-Insurance Plan Surplus	14,704	34,938
Property Self-Insurance Program Revenue		
Premiums	657,569	615,019
Investment Income	45,627	32,522
Total Property Self-Insurance Program Revenue	703,196	647,541
Property Self-Insurance Program Expenditures		
Claims (note 7)	379,523	244,093
Administration & Other	197,861	150,263
Adjusting	25,821	14,421
Total Property Self-Insurance Program Expenditures	603,205	408,777
Property Self-Insurance Program Surplus	99,991	238,764
Consolidated Surplus for the Year	\$ 753,531	\$ 986,155

"See Accompanying Notes"

SASKATCHEWAN ASSOCIATION OF RURAL MUNICIPALITIES

Statement of Changes in Net Assets

For the year ended December 31, 2006

	General	Invested in Property and Equipment	Federal Lobbyist Fund	Group Benefits Plan	Liability Self- Insurance Plan	Fidelity Bond Self- Insurance Plan	Property Self- Insurance Program	Total 2006
Net Assets								
- Beginning of year	\$687,777	\$390,672	\$83,024	\$1,670,335	\$11,264,301	\$139,850	\$577,348	\$14,813,307
Amortization	51,355	(51,355)	-	-	-	-	-	-
Net Investment in Property and Equipment	(152,572)	152,572	-	-	-	-	-	-
Reserve Member Contributions	-	-	-	-	19,386	-	-	19,386
Surplus (Deficit)	26,008	-	(1,534)	36,051	578,311	14,704	99,991	753,531
Net Assets - End of year	\$612,568	\$491,889	\$81,490	\$1,706,386	\$11,861,998	\$154,554	\$677,339	\$15,586,224

SASKATCHEWAN ASSOCIATION OF RURAL MUNICIPALITIES

Consolidated Statement of Cash Flows

For the years ended December 31, 2006, 2005

	2006	2005
Operating Activities		
Net Surplus	\$ 753,531	\$ 986,155
Amortization	51,355	50,558
Changes in Funds under Administration	(49,749)	(24,972)
Loss on Asset Disposal	1,754	-
Liability Reserve Member Contributions	19,386	44,802
Liability Reserve Prior Member Obligation\Repayment	-	459
Property Reserve Member Withdrawal	-	(1,966)
Changes in Non-Cash Working Capital Items	(119,164)	255,219
Cash Provided by Operating Activities	657,113	1,310,256
Financing and Investing Activities		
Sale of Assets	1,470	-
Equity in Liability & Property Insurance Plan	(1,182)	(1,816)
Investment in Property and Equipment	(155,796)	(38,240)
Investments	(262,605)	(1,220,905)
Cash Used in Financing and Investing Activities	(418,113)	(1,260,963)
Net Increase in Cash Position	239,000	49,292
Bank Indebtedness, Beginning of Year	(196,419)	(245,711)
Cash (Bank Indebtedness), End of Year	\$ 42,581	\$ (196,419)

SASKATCHEWAN ASSOCIATION OF RURAL MUNICIPALITIES

Notes to the Financial Statements

At December 31, 2006

The Association is a non-profit organization incorporated under a special act of the Province. The consolidated operations consist of the following: General Fund, Group 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 Group 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 and Equipment

The cost of property and equipment 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 Self-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.

(i) Future accounting policy changes

The Canadian Institute of Chartered Accountants has issued three new accounting standards: Section 1530, Comprehensive Income, Section 3855, Financial Instruments - Recognition and Measurement, and Section 3865, Hedges. These standards will be effective on January 1, 2007.

Under the new standard, all financial instruments will be classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other liabilities.

Financial assets and liabilities held-for-trading will be measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading, will be measured at amortized cost. Available-for-sale instruments will be measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading, will be measured at amortized cost. Available-for-sale instruments will be measured at fair value with unrealized gains and losses recognized in other comprehensive income. The standards also permit designation of any financial instrument as held-for-trading upon initial recognition.

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, Group 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 and Equipment

	Cost	Accumulated Amortization	Net 2006	Net 2005
Building	\$441,489	\$249,110	\$192,379	\$197,254
Equipment	99,632	82,830	16,802	17,350
Computers	178,194	145,808	32,386	27,771
Custom				
Software	264,122	184,464	79,658	95,518
Custom Software				
- Liability	130,429	-	130,429	26,329
Vehicle	20,223	2,988	17,235	3,450
Land	23,000	-	23,000	23,000
	<u>\$1,157,089</u>	<u>\$665,200</u>	<u>\$491,889</u>	<u>\$390,672</u>

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 Bond Self-Insurance Plan and the Property Self-Insurance Program 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

	2006	2005
Trade Show	\$ 3,700	\$ –
Deferred Nuclear Forum Revenue	–	3,750
Deferred Grant	–	10,000
SARM Fidelity Bond Self-Insurance Plan	775	–
SARM Benefits Plan	5,952	–
Total Deferred Revenue	\$ 10,427	\$ 13,750

7. Claims Expense

Claims expense is comprised of the following:

	2006	2006	2005	2005
	Liability	Property	Liability	Property
Claims paid during the year	\$ 105,341	\$ 270,265	\$ 289,127	\$ 173,547
Change in accrued claims	77,177	109,258	(56,456)	70,546
Total claims expense	\$ 182,518	\$ 379,523	\$ 232,671	\$ 244,093

8. Funds Under Administration

	2006	2005
Best Practices Guide	\$ 2,455	\$ 2,327
Land Claim Survey	35,139	51,170
Municipal Awards	5,765	–
Municipal Capacity Development Program	(14,009)	–
Municipal Leadership Development Program	33,746	18,869
Municipal Restructuring	56,034	49,000
Wilkinson Foundation	471	(29)
Weed Control Initiative	(49,539)	(1,526)
	\$ 70,062	\$ 119,811

9. Sale of Other Services

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

	2006	2005
General Service to RMs	\$ 66,236	\$ 44,159
SARM Liability Self-Insurance Plan	103,358	66,670
SARM Fidelity Bond Self-Insurance Plan	433	890
SARM Property Self-Insurance Program	550	264
SARM Group Benefits Plan	244	115
Total Legal Service	170,821	112,098
Publications and Advertising	18,828	23,479
	\$ 189,649	\$ 135,577

10. Administration Fees

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

Internal Administration Fees

	2006	2005
Group Benefits Plan	\$ 220,000	\$ 200,000
Liability Self-Insurance Plan	143,462	142,400
Fidelity Bond Self-Insurance Plan	8,925	8,669
Property Self-Insurance Program	197,310	150,000
	569,697	501,069

External Administration Fees

Long Term Disability Admin.	32,906	30,949
Extended Benefits Admin.	70,342	58,363
Optional Life Insurance Admin.	5,156	5,112
Municipal Tax Loss Admin.	36,960	35,051
Specific Indian Land Admin.	1,240	1,153
Land Claim Survey Admin.	1,510	1,516
Municipal Habitat Trust Admin.	10,000	10,000
Municipal Potash Tax Admin.	6,000	6,000
Municipal Leadership Development Program Admin.	6,400	8,745
Provincial Sales Tax Commission	1,274	1,136
Total Administration Fees	\$ 741,485	\$ 659,094

11. Other Revenue

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

	2006	2005
Clearing the Path Workshops	\$ 21,370	\$ –
District Meeting Sponsor	2,500	2,500
Grants – Clearing the Path	21,729	15,000
Grants – Nuclear Forum	10,000	–
Grants – Prairie Grain Road	57,792	101,537
Grants – Rural Councillor	10,000	–
Miscellaneous Revenue	7,873	5,528
Municipal Rural Infrastructure Fund	3,700	–
Nuclear Forum	28,090	–
Total Other Revenue	\$ 163,054	\$ 124,565

12. Support Services

Listed below is a detail of the Support Services expenses:

	2006	2005
Advertising	\$ 440	\$ 2,131
Audit & Accounting Services	15,650	14,250
Bank Service & Interest Charges	4,610	1,035
Computer Support	5,718	10,588
Consulting	26,382	1,186
Consulting & Research		
- Prairie Grain Road	57,985	101,537
Express Delivery Service	147	849
Insurance	4,279	3,164
Legal Services	–	272
Media Services	507	203
Subscriptions to Publications	2,123	1,419
Total Support Services	\$ 117,841	\$ 136,634

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 members are also paid an additional per diem of \$0.10 per kilometre 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 \$0.55 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:

	2006	2005	
President Marit	134.0	–	days
Ex-President, Hardy	27.0	149.5	days
Vice President Hallick	137.0	–	days
Ex-Vice President Marit	–	130	days
Director Division 1 Taylor	111.0	131	days
Director Division 2 Orb	111.0	107.5	days
Director Division 3 Steele	116.0	117	days
Director Division 4 Malanowich	54.0	–	days
Ex-Director Division 4 Hallick	–	123	days
Director Division 5 Purcell	98.0	92.5	days
Director Division 6 Senecal	8.0	–	days
Ex-Director Division 6 Gronning	68.0	120.5	days
Dir. Ex-Officio Ritchie	51.0	58.6	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 trustees 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



Catherine Patterson, CA
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, 2006, and the statements of operations 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, 2006, 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 6, 2007
Regina, Saskatchewan

RURAL MUNICIPAL TAX LOSS COMPENSATION TRUST FUND

Statement of Financial Position

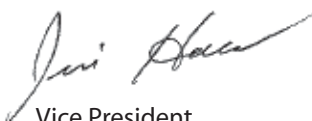
At December 31, 2006, 2005

	2006	2005
ASSETS		
Current		
Cash (note 2)	\$ 254,359	\$ 369,764
Accounts Receivable	275,850	193,289
Short-Term Investments (note 3)	1,715,736	1,358,002
	<u>2,245,945</u>	<u>1,921,055</u>
Long-Term Investments (note 3)	14,301,627	14,003,748
TOTAL ASSETS	\$ 16,547,572	\$ 15,924,803
LIABILITIES & NET ASSETS		
Current		
Accounts Payable	\$ 7,138	\$ 41,635
Net Assets	<u>16,540,434</u>	<u>15,883,168</u>
TOTAL LIABILITIES & NET ASSETS	\$ 16,547,572	\$ 15,924,803

"See Accompanying Notes"



President



Vice President

RURAL MUNICIPAL TAX LOSS COMPENSATION TRUST FUND

Statement of Operations and Net Assets

For the Years Ended December 31, 2006, 2005

	2006	2005
Revenue		
Investment Interest	\$ 776,845	\$ 757,468
Expenses		
Contributions to RMs	702,246	665,970
SARM Commission (note 4)	36,960	35,051
Audit Fees and Other Expenses	3,426	5,855
	<u>742,632</u>	<u>706,876</u>
Excess of Revenue over Expenses	34,213	50,592
Net Assets – Beginning of Year	15,883,168	14,731,597
Reserve Contributions	623,053	1,100,979
Net Assets – End of Year	\$ 16,540,434	\$ 15,883,168

"See Accompanying Notes"

RURAL MUNICIPAL TAX LOSS COMPENSATION TRUST FUND

Statement of Cash Flows

For the Years Ended December 31, 2006, 2005

	2006	2005
Cash (Used in) Generated by Operating Activities		
Excess of Revenue over Expenses	\$ 34,213	\$ 50,592
Changes in Non-Cash Current Assets and Liabilities	(474,792)	664,551
Cash (Used in) Generated by Operating Activities	(440,579)	715,143
Cash Generated by (Used in) Financing and Investing Activities		
Reserve Contributions	623,053	1,100,979
Investments	(297,879)	(1,674,268)
Cash Generated by (Used in) Financing and Investing Activities	325,174	(573,289)
(Decrease) Increase in Cash Position	(115,405)	141,854
Cash – Beginning of Year	369,764	227,910
Cash – End of Year	\$ 254,359	\$ 369,764

RURAL MUNICIPAL TAX LOSS COMPENSATION TRUST FUND

Notes to the Financial Statements

At December 31, 2006

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, Group 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) 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.

Interest rate risk is considered 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



Catherine Patterson, CA
Controller

AUDITORS' REPORT

To the Beneficiaries of
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, 2006, and the statements of operations 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, 2006, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



February 6, 2007
Regina, Saskatchewan
Chartered Accountants

RURAL MUNICIPAL SPECIFIC CLAIMS TAX LOSS COMPENSATION TRUST FUND

Statement of Financial Position

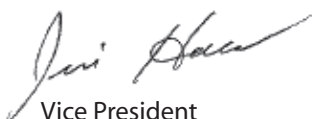
At December 31, 2006, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Current		
Cash (note 2)	\$ 40,121	\$ 18,218
Accounts Receivable	1,334	–
Short-Term Investments (note 3)	384,825	306,034
	<u>426,280</u>	<u>324,252</u>
Long-Term Investments (note 3)	3,207,702	3,155,828
TOTAL ASSETS	<u>\$ 3,633,982</u>	<u>\$ 3,480,080</u>
LIABILITIES & NET ASSETS		
Current		
Accounts Payable	\$ 2,854	\$ 2,500
Net Assets	<u>3,631,128</u>	<u>3,477,580</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 3,633,982</u>	<u>\$ 3,480,080</u>

"See Accompanying Notes"



President



Vice President

RURAL MUNICIPAL SPECIFIC CLAIMS TAX LOSS COMPENSATION TRUST FUND

Statement of Operations and Net Assets

For the Years Ended December 31, 2006, 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Municipal Contributions	\$ 10,238	\$ –
Investment Interest	171,398	169,214
	<u>181,636</u>	<u>169,214</u>
Expenses		
Contributions to RMs	23,567	21,913
SARM Commission (note 4)	1,240	1,154
Audit Fees and Other Expenses	3,281	2,700
	<u>28,088</u>	<u>25,767</u>
Excess of Revenues over Expenses	153,548	143,447
Net Assets – Beginning of Year	<u>3,477,580</u>	<u>3,334,133</u>
Net Assets – End of Year	<u>\$ 3,631,128</u>	<u>\$ 3,477,580</u>

"See Accompanying Notes"

RURAL MUNICIPAL SPECIFIC CLAIMS TAX LOSS COMPENSATION TRUST FUND

Statement of Cash Flows

For the Years Ended December 31, 2006, 2005

	2006	2005
Cash Generated by Operating Activities		
Excess of Revenues over Expenses	\$ 153,548	\$ 143,447
Changes in Non-Cash Current Assets and Liabilities	(79,771)	177,706
Cash Generated by Operating Activities	<u>73,777</u>	<u>321,153</u>
Cash Used in Financing and Investing Activities		
Investments	(51,874)	(312,531)
Cash Used in Financing and Investing Activities	<u>(51,874)</u>	<u>(312,531)</u>
Increase in Cash Position	21,093	8,622
Cash – Beginning of Year	<u>18,218</u>	<u>9,596</u>
Cash – End of Year	<u>\$ 40,121</u>	<u>\$ 18,218</u>

RURAL MUNICIPAL SPECIFIC CLAIMS TAX LOSS COMPENSATION TRUST FUND

Notes to the Financial Statements

At December 31, 2006

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, Group 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) 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.

Interest rate risk is considered not significant.

SASKATCHEWAN ASSOCIATION OF RURAL MUNICIPALITIES

Schedule of Investments (1 of 3)

At December 31, 2006

Listed below are all the investments held by SARM General Fund, SARM Group 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 Manitoba	A high	3-Dec-13	\$ 658,574	\$ 681,560
Province of New Brunswick	A high	6-Dec-12	817,166	816,407
Province of New Brunswick	A high	3-Dec-15	818,709	797,230
Province of Ontario	AA	19-Nov-10	859,521	877,377
Province of Ontario	AA	30-Nov-11	509,457	501,900
Province of Ontario	AA	2-Dec-12	500,656	499,224
Province of Ontario	AA	2-Jun-13	818,747	849,917
Province of Ontario	AA	8-Mar-14	509,521	522,485
Province of Ontario	AA	17-Feb-15	519,603	521,000
Province of Saskatchewan	AA low	6-Sep-07	494,564	487,457
Province of Saskatchewan	AA low	24-Sep-09	1,107,342	1,109,016
Province of Saskatchewan	AA low	12-Nov-09	1,588,575	1,617,334
Province of Saskatchewan	AA low	10-Oct-11	339,831	346,279
Province of Saskatchewan	AA low	3-Dec-12	1,037,106	1,055,984
Province of Saskatchewan	AA low	17-Jun-13	512,011	510,850
Federal Bonds				
Farm Credit Canada	AAA	15-Sep-11	797,215	785,964
Farm Credit Canada	AAA	15-Jun-17	802,857	767,958
Charter Banks Bonds				
Bank of Montreal	AA	31-Jan-11	1,218,925	1,216,117
Bank of Montreal	AA low	4-Feb-13	499,513	493,866
Bank of Montreal	AA low	14-Mar-13	613,713	607,081
Bank of Montreal	AA low	21-Jan-15	1,230,549	1,176,311
Bank of Montreal	AA low	22-Apr-20	2,518,950	2,512,523
Bank of Nova Scotia	A high	31-Dec-10	158,172	165,660
Bank of Nova Scotia	AA	16-Jul-12	514,930	493,643
Bank of Nova Scotia	AA low	7-Jan-10	508,751	504,962
BCB Bank of Canada	AAA	29-Sep-09	300,000	309,900
CIBC	A high	19-Oct-09	50,000	50,525
CIBC	A high	28-Jun-11	130,000	152,360
CIBC	A high	3-Aug-12	250,000	219,825
CIBC	AA low	28-Aug-08	509,349	500,643
CIBC	AA low	29-Sep-09	200,000	214,080
CIBC	AA low	2-Sep-10	1,033,372	1,016,754
CIBC	AA low	23-Feb-11	729,822	777,350
CIBC	AA low	28-Sep-12	200,000	183,500
CIBC	AA low	23-Jan-14	667,200	669,120
CIBC	GIC	5-Mar-07	3,332,384	3,200,000
CIBC Deposit Note Ser No 1013	AA low	22-Dec-14	438,215	432,804

SASKATCHEWAN ASSOCIATION OF RURAL MUNICIPALITIES

Schedule of Investments (2 of 3)

At December 31, 2006

Investment	Dominion Bond Rating	Maturity Date	Current Book Value	Market Value
Charter Banks Bonds (cont'd)				
Royal Bank	AA	5-Apr-11	707,612	694,054
Royal Bank	AA	12-Apr-11	266,232	256,509
Royal Bank	AA	20-Jan-14	727,913	722,670
Royal Bank	AA	20-Jan-14	1,457,098	1,468,051
Royal Bank	AA	24-Jun-15	301,271	294,110
Toronto Dominion	AA low	31-Jul-12	483,908	473,767
Toronto Dominion	AA low	3-Jun-18	470,931	470,773
Toronto Dominion	AA low	3-Jun-18	285,928	282,251
Corporate Bonds				
Bell Canada	A	18-Jan-08	1,284,478	1,272,424
West Coast Energy Inc.	A low	16-Apr-08	626,398	624,563
Mutual Funds				
CIBC FULPAY DARTS				
Renaissance Funds	A high	12-Aug-13	250,000	238,375
Province of Manitoba Portfolio Allocation Notes Series 1(900)	A high	24-Sep-09	500,000	489,255
Total Fixed Securities			\$ 35,157,069	\$ 34,931,767
Investment Bank Balance			298,447	298,447
Portfolio Total			\$ 35,455,516	\$ 35,230,214

The ratings of the investments are from the Dominion Bond Rating Service as at December 31, 2006. 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 Group 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	\$ 1,600,072	\$ 1,553,922
Provincial Bonds	11,091,383	11,194,020
Charter Bank Bonds	19,804,738	19,559,209
Corporate Bonds	1,910,876	1,896,986
Mutual Funds	750,000	727,630
Total Fixed Investments	35,157,069	34,931,767
Investment Cash Account	298,447	298,447
Portfolio Total	\$ 35,455,516	\$ 35,230,214

SASKATCHEWAN ASSOCIATION OF RURAL MUNICIPALITIES

Schedule of Investments (3 of 3)

At December 31, 2006

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 (including investment account cash) attributable to SARM General Fund and each of the Plans.

	2006	2005
SARM General Fund	\$ 831,155	\$ 1,085,380
SARM Group Benefits Plan	1,712,192	1,716,628
SARM Liability Self-Insurance Plan	12,086,196	11,423,576
SARM Fidelity Bond Self-Insurance Plan	159,055	124,102
SARM Property Self-Insurance Program	862,397	605,922
	<hr/>	<hr/>
SARM Consolidated	15,650,995	14,955,608
Rural Municipal Tax Loss Compensation Trust Fund	16,176,340	15,428,463
Rural Municipal Specific Claims Tax Loss Compensation Trust Fund	3,628,181	3,476,896
	<hr/>	<hr/>
	\$ 35,455,516	\$ 33,860,967
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