

2007 Financial Statements
Rural Municipal Tax Loss Compensation Trust Fund

**Rural Municipal Tax Loss Compensation Trust Fund
Management's Responsibility for Financial Reporting**

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

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



Doug Fisher, CA
Controller

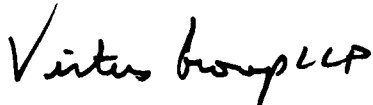
Auditors' Report

To the Beneficiaries of
Rural Municipal Tax Loss Compensation Trust Fund

We have audited the Statement of Financial Position of the Rural Municipal Tax Loss Compensation Trust Fund as at December 31, 2007, 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, 2007, 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 1, 2008
Regina, Saskatchewan

Rural Municipal Tax Loss Compensation Trust Fund
Statement of Financial Position
At December 31, 2007

	2007	2006
Assets		
Current		
Cash	\$ 745,060	\$ 254,359
Contributions Receivable	45,678	275,836
Accrued Interest Receivable (Note 4)	188,889	252,797
Short-term Investments (Note 4)	1,404,617	1,462,909
	2,384,244	2,245,901
Long-Term Investments (Note 4)	14,303,220	14,301,627
Total Assets	\$ 16,687,464	\$ 16,547,528
Liabilities & Net Assets		
Current		
Accounts Payable	\$ 4,018	\$ 7,124
Net Assets		
Restricted Net Assets	16,683,446	16,540,404
Total Liabilities & Net Assets	\$ 16,687,464	\$ 16,547,528

Rural Municipal Tax Loss Compensation Trust Fund
Statement of Operations and Net Assets
For The Year Ended December 31, 2007

	2007	2006
Revenues		
Contributions	\$ 286,535	\$ 623,053
Investment Income	645,026	776,845
Total Revenues	931,561	1,399,898
Expenses		
Contributions to Rural Municipalities	766,102	702,246
SARM Administration Fee	40,315	36,960
Audit Fees and Other Expenses	7,273	3,426
Total Expenses	813,690	742,632
Surplus	117,871	657,266
Net Assets - Beginning of Year	16,540,404	15,883,138
Adjustment for Accounting Policy Change (Note 3)	25,171	-
Adjusted Net Assets - Beginning of Year	16,565,575	15,883,138
Net Assets - End of Year	\$ 16,683,446	\$ 16,540,404

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

Rural Municipal Tax Loss Compensation Trust Fund
Statement of Cash Flows
For the Year Ended December 31, 2007

	2007	2006
Operating Activities		
Surplus	\$ 117,871	\$ 657,266
Unrealized Losses	118,693	-
Change in Non-Cash Current Assets and Liabilities	349,252	(474,792)
Cash Provided	585,816	182,474
Investing Activities		
Investment in Long-term Investments	(95,115)	(297,879)
Increase (Decrease) In Cash Position	490,701	(115,405)
Cash, Beginning of Year	254,359	369,764
Cash, End of Year	\$ 745,060	\$ 254,359

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

Rural Municipal Tax Loss Compensation Trust Fund
Notes to the Financial Statements
December 31, 2007

1. Operations

The Rural Municipal Tax Loss Compensation Trust Fund was established pursuant to Article 6 of the Amended Cost Sharing Agreement entered into by Canada and Saskatchewan September 22, 1992. The agreement concerns the respective obligations of Canada and Saskatchewan for the payment of the anticipated costs of settling the outstanding treaty land entitlement claims of certain Indian bands in Saskatchewan. Article 6 of the agreement provides that a Rural Municipal Compensation Fund shall be established to receive payments from Saskatchewan and Canada and to disburse payments to Rural Municipalities that lose tax revenue as a result of lands which had been situated within the municipality being set apart as reserves.

The Rural Municipal Tax Loss Compensation Agreement entered into by Saskatchewan and the Saskatchewan Association of Rural Municipalities (SARM) October 6, 1993 establishes the Rural Municipal Tax Loss Compensation Trust Fund and designates SARM as the trustee. The beneficiaries of the Trust Fund are the rural municipalities that lose tax revenue as a result of lands within the municipality being set apart as reserves.

The Rural Municipal Tax Loss Compensation Agreement provides that SARM is entitled to deduct 5% of the payments to Rural Municipalities pursuant to the Agreement for the administrative expenses that it incurs in the operation of the Trust Fund.

The Trust Fund is exempt from income tax.

2. Significant Accounting Policies

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

(a) Revenue Recognition

- (i) Contributions are received from the Governments of Canada and Saskatchewan for lands set apart as reserves. The Rural Municipal Tax Loss Compensation Trust Fund is a restricted fund, and contributions are recognized as revenue in the year in which the applicable lands are set apart. Contributions for lands set apart are calculated as 22.5 times the municipal taxes for the year prior to transfer, with 70% paid by the Government of Canada and 30% paid by the Government of Saskatchewan.
- (ii) Investment income includes bank interest and investment income allocated from the investment pool (see Note 4). The investment pool includes fixed return investments and variable return investments.

Investment income for fixed return investments includes accrued interest, amortized premium and discount, and realized gains or losses on the sale or redemption of

investments. Purchase premiums and discounts are amortized on a straight-line basis – discounts are amortized over the term to maturity, with premiums amortized to the first call date, or over the term to maturity if there is no call feature.

Investment income for variable return investments includes interest received in the year, realized gains or losses on the sale or redemption of investments, and unrealized gains or losses resulting from the change in market value for the variable return investments.

(b) Investments

Short-term investments are investments in the investment pool that mature within one year. Short term investments are all fixed return investments and are recorded at cost, including the unamortized premium or discount.

Long-term investments include investments classified as fixed return investments and investments classified as variable return investments. Variable return investments are valued at market value, with the market value determined by CIBC Wood Gundy. Fixed return investments are recorded at cost, including the unamortized premium or discount. If there was a decline in value that was not considered temporary in investments recorded at cost, the investments would be recorded at net realizable value – there are no fixed return investments that have been recorded at net realizable value.

(c) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and the reported amount of revenues during the reporting period. Management reviews all significant estimates affecting the financial statements. Market values used in the valuation of variable return investments are the only significant use of estimates. The estimated market values have implications on the valuation of certain long-term investments and the determination of investment income.

3. Change in Accounting Policy

During the year, the Trust Fund adopted a new accounting standard (Section 3855 – Financial Instruments, Recognition and Measurement) issued by the Canadian Institute of Chartered Accountants. The adoption of this standard resulted in a change in the accounting for investments, and as a result, there is a transition adjustment recorded in opening net assets. The adjustment for the Statement of Operations and Net Assets is \$25,171. The adjustment is the unrealized gain resulting from valuing variable return investments (classified as held for trading) at market value at December 31, 2006.

Section 3855 establishes standards for recognizing and measuring financial assets and financial liabilities which are recorded in the Statement of Financial Position. Under this standard, except in certain instances not applicable to the Trust Fund, all financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, loans and receivables, held to maturity, available for sale, or other financial liabilities. Financial assets and financial liabilities held for trading are measured at fair value with changes in those fair values recognized in revenue. Financial assets held to maturity,

loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization.

Accounts receivable are classified as held for trading and are recorded at fair market value. The fair market value is equal to its carrying value given the short term nature of the amounts. Accounts payable are classified as other liabilities and are recorded at amortized cost. There were no transition adjustments attributable to the re-measurement of financial assets and financial liabilities, other than the adjustment of \$25,171 for investments described in this note.

4. Investments

The investment pool includes cash and short-term and long-term investments of the Trust Fund, the Rural Municipal Specific Claims Tax Loss Compensation Trust Fund and SARM (General Fund, SARM Benefits Plan, Liability Self-Insurance Plan, Fidelity Bond Self-Insurance Plan, and Property Self-Insurance Program). The assets and investment income attributed to each fund is apportioned based on the investment of each fund in the pool. The following table provides a summary of the assets in the investment pool at December 31, 2007 and the assets apportioned to the Trust Fund (45.2565% of the investment pool).

Investment Pool Assets	Total	Trust Fund's Portion
Investments:		
Unamortized Premium or Discount	\$ 430,196	\$ 194,692
Fixed Return Investments	32,104,000	14,529,159
Variable Return Investments	2,174,241	983,986
Total Investments	<u>34,708,437</u>	<u>15,707,837</u>
Cash	1,613,471	730,201
Accrued Interest Receivable	417,374	188,889
	<u>\$ 36,739,282</u>	<u>\$ 16,626,927</u>
Investment Categories:		
Short-term Investments	\$ 3,103,681	\$ 1,404,617
Long-term Investments	31,604,756	14,303,220
Total Investments	<u>\$ 34,708,437</u>	<u>\$ 15,707,837</u>

Fixed return investments are classified as held to maturity and are valued at historical cost, including the unamortized premium or discount. At December 31, 2007, the book value of fixed return investments was \$32,534,196, including the unamortized premium or discount. The estimated market value of the fixed return investments at December 31, 2007 was \$32,103,432.

Variable return investments are classified as held for trading. Variable return investments are valued at their estimated market value. The estimated market value at December 31, 2007 is \$2,174,241. The cost of the variable return investments is \$2,380,000. As a result of a change in accounting policy (see Note 3), the value of the variable return investments was restated to \$2,635,170 at December 31, 2006 (unamortized cost of \$2,580,000). The

unrealized gain of \$55,170 (\$25,171 apportioned to the Trust Fund) is reflected in the Statement of Operations and Net Assets as a change in the beginning net assets. The unrealized loss included in investment income for 2007 is \$260,929 (\$118,693 apportioned to the Trust Fund).

The following table is a summary of the investments at December 31, 2007.

Description	Range of Maturity Dates	Amortized Cost	Estimated Market Value
Fixed Return Investments (Held to Maturity)			
Financial Institutions			
Bank of Montreal	2013 to 2021	\$ 8,737,050	\$ 8,346,676
CIBC Bank	2008 to 2014	2,600,560	2,531,852
Royal Bank	2011 to 2015	3,692,253	3,642,908
TD Bank	2018	745,361	724,754
Bank of Nova Scotia	2010	651,105	654,589
Other Institutions	2012	380,000	380,000
		<u>16,806,329</u>	<u>16,280,779</u>
Provincials			
Saskatchewan	2009 to 2013	4,533,881	4,596,584
Ontario	2010 to 2015	3,662,207	3,730,179
New Brunswick	2012 to 2015	1,617,412	1,595,957
Manitoba	2013	655,221	673,427
Nova Scotia	2009	587,352	586,959
		<u>11,056,073</u>	<u>11,183,106</u>
Others			
Farm Credit Canada	2011 to 2022	3,083,282	3,061,088
BC Municipal Financing	2014	972,659	961,919
Westcoast Energy	2008	615,853	616,539
		<u>4,671,794</u>	<u>4,639,546</u>
Total Fixed Return Investments		<u>32,534,196</u>	<u>32,103,431</u>
Variable Return Investments (Held for Trading)			
CIBC Deposit Notes	2009 to 2012	1,330,000	1,239,665
CIBC Mutual Fund	2013	250,000	213,113
Manitoba Allocation Notes	2009	500,000	447,713
BDC Canadian Notes	2014	300,000	273,750
Total Variable Return Investments		<u>2,380,000</u>	<u>2,174,241</u>
Total Investments		<u>\$ 34,914,196</u>	<u>\$ 34,277,672</u>

The variable return investments are protected as to the principal if the investment is held to maturity. The interest paid on the investment is linked to the change in value of certain shares or market indices.

5. Bank Indebtedness

The Saskatchewan Association of Rural Municipalities has an authorized line of credit of \$500,000 with the Canadian Imperial Bank of Commerce that can be drawn on by SARM for the purpose of its operations or those of the Trust Fund. The amount drawn on the line of credit bears interest at the bank prime rate. At December 31, 2007 there is no bank indebtedness for SARM or the Trust Fund.

6. Comparative Figures

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